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"In Latin America, most progress must come from the radical reshaping of domestic economies, probably along the lines foreseen in the original design of the Alliance for Progress." Our introductory article reviews the progress being made by the Alliance and other international economic institutions in Latin America; six subsequent studies explore specific problems facing the nations of the area today.

Latin American Integration and the Alliance

By JOHN M. HUNTER

Professor of Economics, Michigan State University

THE ALLIANCE FOR PROGRESS became a reality in the early days of the Kennedy administration.¹ In part, it was established as a reaction to Castro's astounding successes in Cuba and to the little bubbles of activity all over Latin America seeking to emulate the Cuban experience. In part, it reflected the treatment accorded Vice President Richard Nixon on his famous tour of South America in 1958, which startled United States citizens into an awareness that all might not be well south of the border. In part, too, it reflected the outstanding accomplishments of the Marshall Plan under which the United States had successfully contributed critical assistance for postwar recovery in Europe.

The alliance represents a cooperative, multinational development effort of the Latin American republics and the United States. It began its formal existence in August, 1961, with a declaration of foreign ministers who

¹ The idea was proposed several years earlier by Juscelino Kubitschek, then president of Brazil.

were meeting at Punta del Este, Uruguay. The United States was to provide the major part of \$20 billion in aid over a ten-year period, while the other partners in the venture were to prepare solid development plans and to undertake substantial, structural reforms—especially of land tenure and tax-collecting systems. Latin American countries were themselves to contribute \$80 billion. The agreed-to objectives were to modify the economies and the social structures of the participating countries to yield, hopefully, a 2.5 per cent per capita rate of growth in income.

The results of the alliance have been disappointing. It is apparent that incomes have not increased as hoped; not only did rates fail to reach the targets, but there is also some evidence that they even declined.

It is clear that the objectives of the alliance were too ambitious. A poverty-stricken continent-and-half was to vault into the latter half of the twentieth century. The area was somehow to develop the political and

social organizations and the legal structure to support modern economies capable of producing and sustaining rates of growth of 5-6 per cent annually.² Consistently increasing production at this rate would be a difficult task under any circumstances.

It was perhaps easy to overestimate what could be done because of the outstanding success of the Marshall Plan—a multibillion dollar, multiyear, internationally coordinated, continental attack on the problems of European reconstruction after World War II. But in Latin America, the problem was not “reconstruction” but “construction.” In particular, political-social-economic systems evolved there primarily to protect, to educate, to maintain the already privileged. In addition, and with considerable variation from country to country, the systems evolved to assure an efficient, expanding, secure flow of raw materials abroad. The task of the Marshall Plan, on the other hand, was much, much simpler—to supply economic aid to social-political-economic institutions already in existence and already oriented to serving the welfare of most of their people.

² A note on the arithmetic of growth rates: per capita rates, of course, take into account population growth. Thus, if population is increasing at 3 per cent per year (about that estimated for Latin America), production must expand at 3 per cent per year in order to maintain per capita income at its previous level. To expand per capita income at 2.5 per cent with a 3 per cent population growth requires a 5.5 per cent increase in production. If a substantial part of production must be diverted into plant, equipment, schools, highways, and so on, then individual incomes will not rise even 2.5 per cent.

³ There is, of course, no way for us to begin to appreciate what life is like in the poverty-stricken cities and rural areas of most of the world. Three works, among many others, give some notion of the circumstances: Oscar Lewis, *The Children of Sanchez* (New York: Random House, 1961); Carolina Maria de Jesus, *Child of the Dark* (New York: E. P. Dutton, 1962); and Graciliano Ramos, *Barren Lives* (Austin: University of Texas Press, 1965). The alliance is essentially an intergovernmental partnership, and there is little in the history of Latin America to suggest that the governments have or will have the courage, the patriotism, the altruism to do what has to be done to improve living conditions for the average Latin American.

⁴ In 1960, for example, only about 1 per cent of the university-age population in Brazil was enrolled in higher education. In the U.S. this same ratio is 20-30 times greater.

⁵ This is a much more complicated proposition than that related to education.

The Alliance for Progress would have faced a very difficult task even if the power structures had really been in favor of reorienting their political-social systems to serve better the needs of the majority of the people.³ Most “experts” would agree, I suspect, that there are at least three problems on which little progress has been made because of the threat their solution poses to the ruling few.

Monopoly of education. Widespread education is essential to real democracy; it is important to economic development. But it is expensive; it contributes to social mobility; and newly-educated citizens often gain power. It is not surprising that the decision-makers of Latin America have consistently been opposed to widespread, free, public education. Educational opportunities are scarce in the fourth, fifth, and sixth grades and if we define “functional illiteracy” as a lack of the skills and knowledge learned through the fourth grade, many Latin Americans are illiterate. Higher education is even more restricted, especially because a principal cost of higher education is that of income forgone.⁴ Rare indeed is the child of a poor family who can acquire a university education—and such education is ever more important for those who would be instruments of change in increasingly complex societies.

Monopoly of land. Land tends to be concentrated in a few hands, and land reform is a requisite for achievement of the alliance’s objectives.⁵ At the least, present owners must learn to utilize their land in a socially efficient manner, and small owners (*minifundistas*) must be permitted to use their land efficiently. Owners of great tracts of productive land—especially absentee owners—are not likely to be concerned about careful utilization of their properties. Taxes on potential agricultural land production could be devised to assure relatively efficient use, but it can hardly be expected that the agricultural elite will vote such taxes, much less undertake more fundamental reform. Unfortunately, in Latin America, land owners have been, and generally are, the decision-makers.

The tax structure. Existing revenue structures must be revised to insure efficiency in

the use of existing assets, to reduce conspicuous consumption expenditure, to encourage productive investment, to reduce the relative burden on the poor. Today, taxes—particularly taxes actually collected rather than taxes levied—fall more heavily on lower income than on higher income groups.⁶ But, again, to initiate this reform in the context of the present governments the elite would have to vote higher taxes on themselves.

Obviously, the generalities at Punta del Este inspired agreement, but the real decisions—especially in the three areas above—have not been forthcoming, and for fairly obvious reasons. Even had these reforms been initiated the alliance would not have “arrived,” but it would be perhaps somewhere near the starting point.

THE UNITED STATES AND THE ALLIANCE

United States participation in the alliance has been approximately as promised. By one computation, United States-authorized aid over the first five years averaged \$1.1 billion. Private investment and other contributions did not reach their intended level, but the total contribution did not fall far short of its expected total.⁷ Still, United States participation has occasioned some kinds of problems which were surely not envisaged at the time of its inception.

Principally, the alliance operates on a government-to-government basis. Unfortunately, the governments have not all been stable (nor have the stable ones necessarily been responsible), and some unsavory governments have been supported with alliance money in the name of aid to the people. The nature of the United States commitment to the idea of the alliance—and it must be re-

membered that this is a Department of State commitment which must regularly be resold to Congress and to the taxpayer⁸—has been such that modification or withdrawal of aid has been much more difficult for us than various forms of noncompliance on the part of our partners. When the United States prescribes a *quid pro quo* for a grant or loan, it is accused of interference and intervention. When grants and loans from the United States must be spent in the United States,⁹ it is told this is sabotaging the alliance because recipients could buy cheaper goods elsewhere. The Latin American military wants substantial expenditures for sophisticated weapons (instead of increased budgets for education), and the United States finds itself providing balance of payments or general budgetary support indirectly in support of an arms race in spite of its disapproval. And, too, alliance funds have unexpectedly found their way into financing the expropriation of United States firms in some of the countries of Latin America.¹⁰

The fact of the matter is that there is political hay to be made locally by tweaking Uncle Sam's nose. It is clear that the United States needs and seeks friends among its Latin American neighbors and that it must woo them (or bribe them) rather than threatening the “big stick” of Theodore Roosevelt—Guatemala, the Bay of Pigs and the Dominican Republic notwithstanding.

The most perplexing aspect of United States policy is that of deciding with whom to negotiate. Argentina, for example, is now ruled by a general in power by virtue of overthrowing Arturo Illia, a weak, elected president whose government had demonstrated its incapacity to obtain the confidence of the Argentine people. Recognition of Juan Carlos Onganía's government and continued Alliance for Progress aid for Onganía support an illegal, potentially repressive government—a government which has announced that it believes ten years will pass before the country is ready to vote again. More often than not, the United States falls into the trap of supporting retrogressive, conservative revolutions rather than seeking out, identifying, and aid-

⁶ This problem, too, is complicated. A tax system for development fundamentally should raise the appropriate revenue, also be based on “justice,” and encourage those who are left with income not necessary for consumption to undertake socially constructive projects.

⁷ Simon G. Hanson, *Five Years of the Alliance for Progress* (Washington: Inter-American Affairs Press, 1967), Chapter I.

⁸ This is not intended in any derogatory sense.

⁹ Because of U.S. balance-of-payments pressures.

¹⁰ On this point see Hanson, a severe critic, *op. cit.*, Chapter VII.

ing truly liberal elements who might lead "revolts" with objectives more nearly in line with the aims of the Alliance for Progress.¹¹

There are good reasons for this dilemma. First, the United States nominally seeks to follow a policy of nonintervention, although it has to be understood that "aiding" or "not aiding," "recognizing" or "not recognizing" are extremely important forms of *de facto* intervention. Second, as long as the alliance is largely a government-to-government undertaking, the bulk of its activities must be channelled through, and favored by, existing governments; working with nongovernmental groups explicitly in favor of overthrowing the incumbents (even by legitimate means) would represent the worst sort of duplicity in intergovernmental relations. Third, the alliance has inevitably become entangled with problems of military aid for purposes of hemisphere defense and internal security. This was probably inevitable because the military represents some governments completely and represents substantial elements in most. There is no denying that the military represents stability and sometimes the only stability, and it is certain that stability is easier to deal with. But the alliance is supposed to promote change—and "radical" change—not to deter it.

Lastly, the Alliance for Progress has been caught up in world politics, and the United States has at times considered it important that Latin American countries vote "right" on a particular United Nations resolution;

¹¹ Seeking identification with such groups is a good deal more risky because they are now less well solidified and the direction they might ultimately take is far less certain. Above all, they are "outs."

¹² Cynical observers insist these panaceas are snapped up as substitutes by governments who know perfectly well that substantial improvement requires structural reform of agriculture, taxes and education.

¹³ A "free trade association" is different in principle from a "customs union" in that participants agree to free trade among themselves but retain independence with respect to their trade policies with non-participating countries. A "customs union," on the other hand, provides for free internal trade among members and for a common trade policy—especially with the tariff—vis-à-vis outside countries. This is more nearly "integration" but is really only a first step toward a common currency, common fiscal and monetary policy, and so on.

to assure this, existing governments—not hungry masses—must be appeased.

In six years, the principal lessons of the alliance concern the complexities of the processes of economic and social development, especially when the power structure participates with understandable reluctance. A second set of complexities relates to the political and social problems of reaching alliance objectives internationally, especially when one partner to the alliance is overwhelmingly rich and powerful. The problems are complex, and there is not much evidence that a solution is near. Perhaps more resources will be required; more time and patience clearly are in order. Certainly the objectives of Punta del Este are no less desirable than they were before, which suggests that more vigorous effort in their pursuit is in order.

ECONOMIC INTEGRATION

Latin America itself adopts successive panaceas for its woes. For a while, the control of inflation was thought to be the critical item. Next, improvement in the terms of trade was thought to be crucial. Then a policy of substituting domestic production for imports was to be a panacea. One by one, these have been discredited as single cures. The current hope is economic integration.¹²

Varying rates of development indicate the need for integration. The United States encompasses an enormous geographical area with few barriers to internal trade, a common currency, a single monetary policy and so on. The rest of the area is chopped up into 20-odd separate countries—each with its separate currency, tariff policy and administration. Economic integration seeks to undo the economic damage caused by political arbitrariness in drawing boundaries a century and a half ago.

There are two regional economic integration plans currently under way in Latin America: the bigger, more ponderous, and more ambitious Latin American Free Trade Association¹³ (LAFTA) and the Central American Common Market (also referred to as the Central American Free Trade Association, CAFTA). These are rather different.

TABLE 1: ECONOMIC CHARACTERISTICS, LATIN AMERICAN STATES

(1) Country	(2) Membership		(3) 1963	(4) 1964			(5)
	LAFTA	CAFTA	Per Capita Income (Dollars)	Principal Export	% Total Exports	% Trade with L.A. Countries	
						Exports	Imports
Argentina	X		692	meat	23	15	14
Bolivia			110	tin	94	3	10
Brazil	X		274	coffee	53	5	20
Chile	X		475	copper	68	10	23
Colombia	X		354	coffee	73	2	8
Costa Rica		X	402	coffee	42	6	11
Cuba			—	sugar	90	1	—
Dominican Rep.			216	sugar	51	—	—
Ecuador	X		270	bananas	57	1	6
El Salvador		X	294	coffee	53	20	29
Guatemala		X	275	coffee	46	9	15
Haiti			77	coffee	39	—	—
Honduras		X	184	bananas	76	16	21
Mexico	X		352	cotton	16	4	3
Nicaragua		X	272	cotton	43	16	19
Panama			447	bananas	44	4	22
Paraguay	X		195	meat	30	28	33
Peru	X		250	fish meal	27	10	13
Uruguay	X		615	meat	41	10	50
Venezuela	X		616	oil	93	28	3

Sources: *Encyclopedia Britannica, Book of the Year, 1966*, p. 35.
ECLA, Economic Survey of Latin America, 1965, p. 33.

For many years, various efforts were made to develop some sort of Latin American trading system, but only when the United Nations had developed its strong regional Economic Commission for Latin America (ECLA) did concrete steps lead to the LAFTA. Negotiations culminated in the Treaty of Montevideo of February, 1960, which became effective in June, 1961. The original signatories were Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay.

Subsequently, these nations were joined by Colombia, Ecuador and Venezuela. LAFTA is viewed by the signatories as a first and dynamic step in the process of regional integration of Latin America, but its operating

provisions fall far short even of a customs union. Essentially, it provides for a progressive reduction of intraparticipant tariffs and other trade barriers so that at the end of 12 years these will have been reduced to zero. The bets are hedged somewhat by escape clauses for protection of specific commodities, by escape clauses in case of balance-of-payments pressures, and by special provisions for the most underdeveloped members.¹⁴

Much of the immediate impetus for integration in Latin America comes from the successes of the European Common Market, which has made very substantial progress and produced considerable benefits. This is relevant because, just as the Marshall Plan to some extent provided the model for the Alliance for Progress, the Common Market, in a sense, provided the model and impetus for the LAFTA. When we examine the existing

¹⁴ See especially Miguel S. Wionczek, "A History of the Montevideo Treaty" in the volume which he edited, *Latin American Economic Integration: Experiences and Prospects* (New York: Frederick A. Praeger, 1966).

trade of Latin America, it is apparent that its problems are greater than those of Europe. (Table I provides the basic information.) The countries of Latin America are essentially competitive, not complementary, in their exports. With the exception of Bolivia, Chile, and Venezuela, the principal exports are agricultural. The countries are essentially self-sufficient in agricultural production, which suggests that any major increase in trade among themselves will likely have to be in some new products. The various entries in Column 4 confirm this and also indicate that a great deal of Latin America's trade is with countries outside the area. In 1964, less than 10 per cent of her exports were destined for Latin American countries, which suggests that an even smaller percentage of Latin American exports were destined for LAFTA countries.

Superficial knowledge of the geography of the area suggests that the proximity of the various nations is not so favorable to integration as it first appears. In South America, Peru and Colombia have a common border with Brazil, but no substantial amount of surface freight can ever be expected to move across that frontier. Argentina and Chile are minutes apart by air but separated by the Andes, whose passes are 12,000–14,000 feet above sea level, making transportation of bulky items prohibitively expensive. In spite of a common colonial heritage and language, the Latin American countries have not developed close cultural, economic, or political relations. Their closest ties are with continental Europe and, in some cases, with Great Britain or the United States. Trade and capital—and tourists—flow toward Europe and the United States; and land transportation, ocean shipping, air travel, and financial avenues are all organized in these directions. Even the simple aspects of intraregional intercourse such as mail, cables, and telephone service are most uncertain and contribute negatively to the expansion of trade.

Having looked at criteria for successful economic integration and examining Latin America as a whole against them, it should not be surprising that the prospects for the

Central American Free Trade Association are considerably greater than for LAFTA. The member countries are small, which means that many industries can be successfully developed for the whole area. In such industries, economies of scale may not be great but they may be realizable at relatively small levels of output. The nations are contiguous, and now are conveniently linked by the Pan American Highway. They share a common language, and their cultural heritage is similar. Prior to the trade agreement, there was little trade between the partners; and exports were largely competitive.

Thus far, the LAFTA countries have increased their trade absolutely, but their percentage share in total Latin American trade has not increased. The LAFTA proportion of trade should have increased if members were granting important concessions to one another that were being denied to nonmembers. Nothing in the characteristics of the area, the economics of the situation, or the politics would lead us to expect great changes in the first half decade. And they have not occurred. But the Central American Common Market has been making a greater impact. It should also be noted that prior to the agreements, intra-Central American trade seldom exceeded \$8 million; this has grown to \$140 million in 1965.

There are several reasons for this difference. The geographic proximity and small

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In addition to his duties at Michigan State University, **John M. Hunter** has served as director of the *Centro de Estudios sobre Desarrollo Económico* in Bogotá, Colombia (1958–1960), and as adviser to the *Instituto de Investigaciones Económicas* in Córdoba, Argentina (1962). He has also served as consultant to American University and the Ford Foundation. At present, he is a staff member of the Higher Education Team, Midwest Universities Consortium for International Activity, in Rio de Janeiro. His most recent book is *Emerging Colombia* (Washington, D.C.: Public Affairs Press, 1962).

Evaluating the present political structure which precludes consensus, this specialist concludes that "It can be argued that Chile's economic difficulties lie in its political system."

Chilean Christian Democracy

By W. RAYMOND DUNCAN

Assistant Professor of Government, Boston University

A POLITICAL STRUGGLE of significant domestic and hemispheric proportions is unfolding in contemporary Chile.* The Christian Democratic party (P.D.C.), the first of its kind to be elected in Latin America and one of the most powerful modernizing parties today, is attempting against leftist and rightist opposition to implement a reform program designed to advance Chile's economic and social development. While its Catholic and social democratic ideology is at present an attractive alternative to Marxism-Leninism and to Western capitalism, it is questionable how long this appeal will last. The party is limited in power by the complex political system in which it operates, a system not amenable to consensus, and by the very economic and social conditions it wishes to change. If its limitations are interpreted as failure at the polls in the presidential election of 1970, Chile could return quietly to an ineffective coalition government. In broader perspective, this event would strengthen Cuba's thesis that violent revolution is the only means to real change in Latin America.

Several events suggest that Chilean Christian Democracy is in a state of decline. In January, 1967, the Senate refused to grant the President, Christian Democrat Eduardo Frei Montalva, permission to leave the country on

international business. The significance of this refusal lies not so much in Frei's destination, the United States, nor in the absence of a P.D.C. majority in the Senate to match its lower house (Chamber of Deputies) strength, but in the failure to support an official presidential trip abroad. This was the first vote of its kind in Chilean congressional history and it indicated sharp senatorial discontent. Later, in April, the Christian Democrats underwent another setback in the municipal elections when they received a smaller per cent of the total vote (36.5 per cent), compared to 42.3 per cent in the March, 1965, congressional elections. Moreover, they suffer from fissures within the party and from both left- and right-wing party opposition to much of their legislation.

In contrast, other economic and political evidence illustrates steady progress in P.D.C. reforms, and the possibility for reelection of a Christian Democratic government in 1970. The Christian Democrats have launched effective tax and housing programs. Their control of Chile's chronic inflation is more firm than preceding governments, and they have increased national profit-sharing in the mining industry (Chileanization) to help finance their reform policies. Finally, they began distribution of land to landless peasants early in their administration and passed an important agrarian reform bill in July, 1967, that should pave the way for even greater land reallocation and technical assis-

* The author wishes to express his gratitude to the Graduate School of Boston University for its support of research in Chile.

tance to the rural workers (*campesinos*). When these facts are added to the serious fragmentation in the opposition Socialist, Communist and Radical parties, the prospects for Christian Democracy in 1970 brighten.

While its ascendancy or decline cannot be explored comprehensively at this premature date, four dimensions of President Frei's tenure can be examined as a basis for tentative prognosis: 1) the politics of reform, 2) economic difficulties, 3) reform progress and 4) foreign policy. Objective evaluation of the Christian Democratic record within these parameters suggests that the strengths outweigh the weaknesses as the P.D.C. reaches the midpoint of its six-year term in November, 1967.

THE POLITICS OF REFORM

A balanced assessment of the P.D.C. performance is best made by looking at it in the broad context of Chilean politics. Although the Chilean political system is often cited as one of the more stable and democratic types in Latin America, it has not been one of impressive social and economic reforms.¹ The inability to respond to pressures from changes in the social and economic sectors lies in Chile's multiparty system, admittedly democratic, permitting the articulation of divergent interests, but a system which also breeds legislative obstructionism, fragmented party

strength and the polarization of extremist positions.²

It is difficult for any single party or combination of parties to reach the consensus required to pass and implement reform legislation when they cannot agree upon the model of reform objectives nor on the method or rate of change required. The Socialists and Communists envision a Marxist model for development but disagree over how to build a Marxist society. The Radicals are less clear than the Socialists and Communists but promise improved living conditions for Chile's lower classes. The Conservatives and Liberals naturally want as little change as possible.

Unable to produce consensus, the political system weakens the governmental strength required to mobilize and coordinate the difficult drive for deep structural changes leading to industrialization, the basis for enduring reform. It can be argued that Chile's economic difficulties lie in its political system.

Recent Chilean history reflects this problem. Neither the Popular Front of the 1938-1941 period, composed of Radicals, Communists, Democrats, Socialists, Radical-Socialists and the Chilean Labor Front, nor the postwar leftist coalition governments were effective in reform policy.³ More recently, the administration of Jorge Alessandri (1958-1964), candidate of the conservative parties in the 1958 presidential election, continued the pattern of unresolved problems during a period of rising inflation, high urbanization and population growth, low agricultural productivity and economic underdevelopment. Increasing social discontent and popular dissatisfaction with both the leftist and rightist parties' weaknesses formed the groundswell of support for the Christian Democrats in 1964, who campaigned on a reform program designed to bring governmental policy into consonance with domestic demands.⁴

The Christian Democrats came to power with several sources of strength that gave them a certain edge over other reform parties. Operating through a well-organized, bureaucratic party apparatus led by highly

¹ A recent study by Russell H. Fitzgibbon, based on interesting statistical analysis, places Chile among the top three most democratic countries in Latin America. The other two are Uruguay and Costa Rica. See Fitzgibbon, "Measuring Democratic Change in Latin America," *Journal of Politics*, Vol. 29, No. 1 (February, 1967), pp. 129-166.

² See Frederick M. Nunn, "Chile's Government in Perspective: Political Change or More of the Same," *Inter-American Economic Affairs*, Vol. 20, No. 4 (Spring, 1967), pp. 73-89; also Federico Gil, *The Political System of Chile* (Boston: Houghton Mifflin Co., 1966), pp. 67-83.

³ Leftist coalition governments did establish the Chilean Development Corporation (CORFO) in 1939 which today prepares plans and projects, secures needed funds and puts the plans into operation. CORFO drew up the National Economic Development Program, 1961-1970.

⁴ An excellent brief study of the 1964 campaign is available in Ernst Halperin's "The Chilean Presidential Election of 1964," A Monograph, Center for International Studies, Massachusetts Institute of Technology, November, 1964.

motivated and youthful individuals, their party structure was admirably equipped to plan, coordinate and implement reforms. Whereas other parties were often ill-organized and overly personalized, producing defective plans and stifled policy formation, the Christian Democrats' centralized decision-making body, the national council, was linked to special functional departments backed by a qualified staff of technical and economic experts.⁵ Before the 1964 presidential elections, these men had worked out a well-defined program of social and economic changes, including greater governmental control over the North American copper holdings (Chileanization), agrarian reform designed to allocate land to landless peasants, a new government housing and education program, expanded social services, increased trade union power and administrative decentralization.⁶

OBSTACLES TO REFORM

In spite of these strengths it has been an uphill battle for the Christian Democrats against legislative obstructionism and extremist party positions. On the left, the Socialists have been militant and intransigent in their opposition to Frei, illustrated in February, 1967, by challenges that he resign and by declarations of support for Cuba's brand of violent revolution. The Communists have alternated from partial support to denunciation of the Christian Democrats. Until late 1966, the Communists acknowledged that

although the Frei party was "bourgeois" it was nevertheless instituting "progressive" reforms and, therefore, merited support on several projects, including reforms in agriculture, peasant labor union organization, popular improvements and changes of the capitalist enterprises.⁷

In late 1966 and into 1967, the Communists shifted back to their earlier attacks on Frei, saying that the Christian Democratic reform policy "ends with the agrarian reform"; they predicted that even this program would be defeated due to shortage of funds and to an understanding with the "right wing."⁸ The Radicals are also decidedly opposed to the Christian Democrats, as stated in a July, 1967, proclamation approved by their political committee.⁹

To these external political obstacles must be added the fissures within the P.D.C. where at least two groups are partially divided over the pace required for change. One group is composed of the president and his ministers who face the practical and long-range problems of how to finance reforms and how to compromise with other parties whose support is necessary in the congress and in the administrative apparatus if legislation is to be passed and effectively executed. This group is inclined to speak less in ideological terms and to move less rapidly on reform projects than the second group, many of whose members are found in the party's technical and political committees.

These party members believe that the government must give more ideological content to its program and that it must push harder for reform if the Christian Democrats are to be reelected in 1970. A smaller number of P.D.C. members are far to the left of either of these groups and at times seem more leftist than the Marxists. The election of Rafael Agustín Gumucio as president of the P.D.C. in July, 1967, and the approval by the party's national committee of a new plan for political action during 1967-1970, based on a "non-capitalist way of development," marks the assertion of intraparty power by the majority of party members (called *terceristas* or "third wayers") who favor a more rapid and exten-

⁵ See George W. Grayson, Jr., "Significance of the Frei Administration for Latin America," *Orbis*, Vol. IX, No. 3 (Fall, 1965), pp. 760-779.

⁶ Another course of strength lay in Christian Democratic ideology. Based upon the encyclicals of Leo XIII (*Rerum Novarum*, 1891) and Pius XI (*Quadragesimo Anno*, 1931), and upon the writings of the well-known French Catholic philosopher, Jacques Maritain, Christian Democrats stress individual dignity, social welfarism and worker participation in national life. These goals are to be attained through enlightened state intervention in the private sector to break up disproportionate concentrations of economic wealth and to redistribute national income on a "socially just" basis. The broad goal is peaceful "revolution in liberty" within the framework of democratic government.

⁷ Santiago, Chile Interpress, in Spanish, July 12, 1966.

⁸ Buenos Aires ANSA, in Spanish, October 26, 1966.

⁹ Buenos Aires ANSA, in Spanish, July 1, 1967.

sive pace of change, though not so bold as the extreme left party followers.¹⁰

The Christian Democrats, however, are not the only party to suffer intraparty friction. The Socialist party (P.S.) is divided into two factions, the largest led by the secretary general of the party, Senator Aniceto Rodríguez, and the smaller wing headed by Senators Raúl Ampuero and Tomás Chadwick who broke away with six other deputies in late July, 1967, under pressure from the party's central committee. Ampuero and Chadwick charge that the central committee is changing the traditional party line to form an alliance with the Radicals. These senators have formed their own party wing, called the Popular Socialist party.¹¹ The Radicals, a party to the right of the P.D.C., are divided over whether to hold an independent line or to form a rapprochement with the Socialists and Communists who are ostensibly united in the Revolutionary Popular Action Front (FRAP). Election of Alberto Baltra Cortez, a pro-Marxist, as chairman of the 23d Radical Convention in July, 1967, suggests increasing strength for the pro-FRAP group.

The problems for any future alliance between the Radicals and the FRAP lie in internal splits that weaken party unity and in a serious rift between the Socialists and Communists. The Socialists take a pro-Cuban position (direct action, violence, guerrilla warfare); the Communists, pro-Soviet in the Sino-Soviet conflict, favor peaceful parliamentary change. If this serious rift and other intraparty disagreements cannot be resolved by 1970, P.D.C. election possibilities are strengthened. This estimate is particularly true if parties of the right are unable to sup-

port either the Socialists or the Communists or a FRAP coalition; they will then be forced to throw their support to the P.D.C., as they did in 1964.¹²

ECONOMIC DIFFICULTIES

When the political difficulties facing the Christian Democrats are added to the economic and social problems besetting Chile, the complexities of reform politics emerge even more sharply. During the early months of 1967, copper prices dropped over 20 per cent from nearly 57 cents per pound in January to below 45 cents during April. Since then it has averaged about 45.6 cents per pound. This drop undermined the government's plan for reform spending, which rests heavily on increased copper production under favorable price conditions and on widened national ownership (Chileanization) of the mining industry which accounted for 83.9 per cent (\$564.8 million) of Chile's 1966 commodity export earnings. At present, the Chilean government owns 51 per cent of Kennecott's El Teniente mine and 25 per cent in each of two new mines (Exotica and Rio Blanco) to be developed by Anaconda and the Cerro Corporation of New York.

The government has also recently approved several projects for foreign investment in copper mining and processing amounting to more than half a billion dollars, all designed to build the financial base for reform financing. If copper prices remain low and difficulties in governmental budget plans increase greatly, the parties of the left will be strengthened in their position that the P.D.C. has not moved substantially into control of the mining industry.

Inflation is another problem. From December, 1966, to June, 1967, the price index rose 14.7 per cent, above the 12 per cent goal set by the government for the entire fiscal year. The forces behind this rise were increased official price ceilings for several index items and annual wage readjustments in the public and private sectors which tended to increase lower income group consumption. On the positive side, the price ceiling increases are once-a-year propositions and most

¹⁰ For complete text of the P.D.C.'s new development plan, dubbed the "Chonchol Plan" by Santiago newspapers after one of its key sponsors, Jacques Chonchol, see the journal *Política Económica Cultural* (P.E.C.), Santiago, No. 239, July 28, 1967, pp. 12-13.

¹¹ See *El Mercurio*, Santiago, August 1, 1967.

¹² Considering the threats they must feel to their elite position, the rightist groups in Chile have been exceedingly moderate in behavior. See Robert R. Kaufman, "The Chilean Political Right and Agrarian Reform: Resistance and Moderation," (Washington: Institute for the Comparative Study of Political Systems, 1967).

of them have now been made. In addition, the Central Bank is following a relatively restrictive monetary policy, with restraint shown in public sector borrowing. Another aspect of Frei's financial stabilization drive has been a slow but systematic devaluation of the *escudo* relative to the dollar in order to offset the effects of domestic inflation on exports and imports. These adjustments should hold down further price pressures in 1967.

Inflation is linked directly to Chilean politics. First, the issue of continued inflation is a political wedge for leftist parties which, when not in power, can maintain that rising prices are the responsibility of P.D.C. policy. Second, the extreme leftists within the P.D.C. are following the path of traditional leftist parties by supporting strikes and trade union demands, which accentuate inflationary pressures at a time of relatively low productivity. This position embarrasses the government party leaders who, though committed to wider worker participation in national life, are trying to hold down inflation as a minimum basis for long-run economic stability and industrial growth.

The dilemma for the Frei government is to control inflation as the basis for economic development and long-run structural reforms while simultaneously meeting the annual wage demands that feed inflation. Paradoxically, much of Frei's political support in 1970 may rest on success in the latter task, which drains financial resources that could be invested in new industries or in social overhead capital (housing, education, transportation). Indeed, any "reform" government in Chile faces the dilemma of short-range political tactics conflicting with long-term economic growth.

There are other economic strains. During early 1967, criticism mounted against the government's intensive work day (*jornada única*), which corresponds to working hours in the United States but is new to Chilean merchants who often feel restricted by the "open" noon hour policy. There is discontent with increased taxes, which are used to finance reforms. Finally, the construction industry has continued its decline begun in

1966, when only 19,072 homes were built, compared to the 1965 record of 52,163.

ECONOMIC ADVANCES

On the other hand, Chile's economic picture under P.D.C. leadership has its bright spots. Industrial production rose 9.6 per cent in 1966 compared to 1965 and industrial sales rose 10.6 per cent. In 1967, Chilean exports rose 34.9 per cent during January-March over the comparable period in 1966. The balance on goods and services moved from a deficit balance of \$37 million in 1964 to a surplus of \$136 million in 1966. The deficit balance on current accounts diminished from \$133 million in 1964 to \$38 million in 1966. In the agricultural sector, crop yields in early 1967 were generally good although agricultural imports continued to be high.

Moreover, the government signed a trade and economic agreement with the U.S.S.R. in January, 1966, that includes possible credits to Chile amounting to approximately \$57 million. In February, 1967, Chile and Colombia reached agreement to increase trade and industrial cooperation.

In the area of international transportation, LAN-Chile (Chile's national airline) purchased a new Boeing 707, thus inaugurating commercial flights between Santiago and New York in April, 1967; there are plans to purchase four more in the near future. Foreign investment projects were launched that call for over three-quarters of a billion dollars in foreign capital to go into copper mining and processing, pulp and paper, steel, plastics, fertilizer, communications, refractories and livestock feed to help produce needed increases in production.

REFORM PROGRESS

It is possible to place P.D.C. reforms into three categories. A first group is intended to increase the government's capacity to finance its broader reform program. It includes taxation, inflation control and partial nationalization of the copper industry. A second group, financed by the first, includes the social overhead areas of education, transportation and health, all requisites for sustained

industrialization. A third set of reforms may change long-held traditional paternalist attitudes toward property and profits. It includes agrarian reform, new housing developments and local improvement campaigns called *promoción popular*.

The government raised its real tax income by 25 per cent per year and reduced inflation somewhat. In the copper industry, under agreements with the government, all mines should increase production by an aggregate 66 per cent between 1966 and 1972. From these financial improvements came national budget expenditures of approximately 6 per cent in education, 18 per cent in transportation and 3 per cent in health improvements. These investments have produced great gains in living standards over earlier years.¹³ The unanswered question is whether or not these reforms will form a basis for economic development or will become only a short-range amelioration of low living conditions for much of Chile's population.

The third category includes agrarian reform which the P.D.C. is implementing through the Agrarian Reform Agency (CORA). CORA expropriates badly used or abandoned land and organizes the *campesinos* on that land into *asentamientos* (co-operative societies). By June, 1967, 478

farms had been expropriated and 400 *asentamientos* had been created to accommodate 12,000 families. In addition, the government amended the constitution so that property is no longer inviolate, and agrarian reform and peasant union laws, also passed in 1967, now strengthen the reform movement. While these laws did not receive the approval of many property owners, the peasants are moving into new ownership, and into profit and political institutions within the *asentamientos* and unions—all of which may begin to modify traditional paternalism and stimulate attitudes of achievement basic to future economic growth.¹⁴

POLITICAL IMPLICATIONS

Given the magnitude of obstacles to overcome, the nature of Chile's political system and the progress to date, the P.D.C. can claim relative success in agrarian reform. On the political side, two issues will be connected with the P.D.C.'s land policy in 1970. The first will be the peasants' interpretation of their benefits from agrarian reform. The second issue is the degree of alienation felt by property owners threatened by agrarian and peasant union laws. The P.D.C. would benefit from wide support from both groups, whose aspirations appear mutually exclusive.

The significant point in the housing program, beyond the vast improvements in living conditions, is the emphasis on self-help and payment. Houses are not given away but are built through various contractual arrangements between the individual and the Apartments Agency (CORVI) or the Residence Corporation (CORHABIT). These agencies provide materials, loans and technical assistance—much like CORA in agriculture—and the individual provides the labor and motivation to improve and pay for his new possessions. Finally, in local areas *Promoción Popular*, a self-help improvement campaign, makes smaller household goods (i.e., sewing machines) and technical assistance available to the very poor on long-term credit arrangements. In *Promoción Popular* and the housing program the institutional settings are, like CORA's, conducive to an attitude of achieve-

¹³ The Frei government spends far more in social overhead investments than former governments. President Frei reported in December, 1966, that the education budget was raised from 700 million *escudos* (approximately 5.77 *escudos* = \$1.00) to 2.1 billion in 1966; the health budget from 430 to 670 million *escudos*; housing from 300 million to 700 million. Santiago, Chile Domestic Service, in Spanish, December 22, 1966. For other figures, see Gil, "Chile: 'Revolution in Liberty,'" *Current History* (November, 1966), p. 293.

¹⁴ Recent statistics suggest that the *asentamientos* become profit-making institutions as productivity goes up. Part of these profits are used by the *campesinos* to pay for the land over a 25–30 year period, making CORA partly self-financed. While CORA appears to be doing extremely well in the area of land reform, loans, technical and accounting assistance, it does have its problems: 1) shortage of technicians, 2) breaking traditional attitudes is not as fast a process as CORA would like and 3) more capital is required given the magnitude of the problems encountered. (Interview with Rafael Moreno, vice president of CORA, August, 1967.) The position of the rightist groups toward agrarian reform, more moderate than might be expected, is explored in Kaufman, *op. cit.*

ment. At this date it is premature to estimate how successful they will be, but the objective is vital in Chilean national development and the housing program, in particular, is a political plus in the P.D.C. reform campaign.

FOREIGN POLICY

Focus on Chile's domestic scene should not obscure the thrust of Christian Democracy into Western Hemispheric relations. Although President Frei has not insisted that Christian Democracy be adopted in other nations of Latin America, he does emphasize economic development and social progress through peaceful reform and social democracy as an alternative to capitalism and Marxism-Leninism.

In trying to make Chile an example for other Latin American countries, Frei stresses the importance of Latin American integration through a common market formula; he follows a fluctuating hard and soft policy toward the United States as a response to interventionist threats; and he enjoys renewed diplomatic and expanded trade relations with the U.S.S.R. and East Europe.¹⁵ Posing the Christian Democratic "reform" model as a third alternative to capitalism and Marxism-Leninism, Frei has generated a sharp attack on his foreign and domestic policies by Cuba's Fidel Castro.

Given Cuba's militant support of violent revolution as the only path to social and economic change, it is not unusual that Castro bitterly disagrees with Frei. The incompatibility of Christian Democratic "reform-

ism" and Cuba's militant Marxism-Leninism became preeminently clear shortly after the Tricontinental Solidarity Conference of Asian, African and Latin American Communist parties, held in Havana, January 3-15, 1966, and reaffirmed in Havana during the Organization of Latin American Solidarity (OLAS) meetings of Communist parties during late July, and early August, 1967.

The consistent theme in Castro's polemics with Frei is the ineffectiveness of "bourgeois reformism" and the necessity for "people's revolution." Besides accusing Frei of compromise with United States "imperialism" and with the Chilean "oligarchy," Castro has insisted in a number of speeches and interviews that there is no middle ground between capitalism and socialism—in direct contrast to Frei's position—and that Frei's reformism is a "timid" unprogressive policy designed to maintain the status quo.¹⁶ These polemics with Frei highlight Castro's concern with the possible impact of P.D.C. policy on other leftist Latin leaders and accentuate Christian Democracy as a model for change. Both these factors make the Chilean elections of 1970 highly significant.

Castro's response to Frei's foreign and domestic policies may strengthen the P.D.C. during the coming months. A unit of OLAS, headed by the Socialist Senator Aniceto Rodríguez, now operates legally in Chile. Its existence will pose a continual threat of potential Cuban intervention, given the unit's close identity with Castro's Havana conferences that emphasized militant direct action to effect change in the hemisphere. As such,

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¹⁵ While the Chilean government has solid ties with the United States, it opposed a number of U.S. hemispheric policies in 1965, including military intervention in the Dominican Republic without prior consultation with the Organization of American States, promotion of the Inter-American Police Force concept, Pentagon involvement in the famed Project Camelot, and the U.S. House of Representatives approval of the right to unilateral intervention in any Latin American nation subverted by communism. President Frei always made it clear that his opposition was due to his desire for national independence, not to a desire for friction with the U. S.

¹⁶ Havana, in Spanish, to the Americas, April 15, 1966. He pursued these themes in other speeches on March 20, 1966, Havana, in Spanish, to the Americas, and on August 30, 1966, Havana Domestic Television and Radio Services, in Spanish.

In addition to his duties in the government department, **W. Raymond Duncan** is now assistant to the vice president for academic affairs at Boston University. Prior to his recent research trip to Chile, he traveled to Mexico and Colombia. He is the author of several articles on Latin American politics and is currently coediting a book on ideologies in the Western Hemisphere (with James Nelson Goodsell) and completing his own study on Cuban foreign policy in the 1960's.

"... the distance upward that Venezuela has traveled since the overthrow of the unstable dictatorship in January, 1958, is in fact one of the most phenomenal demonstrations of growth the Western Hemisphere has ever seen."

Progress in Venezuela

By PHILIP B. TAYLOR, JR.

*Associate Professor of Latin American Studies, Johns Hopkins
School of Advanced International Studies*

IN 1967, Venezuela visibly demonstrated greater confidence and optimism in her economic and social future, as well as a deepening consensus over her present democratic and constitutional institutions. She is preparing for an election in 1968 with interest but not with nervousness. The visitor returning from several years' absence notices the continuing pace of material growth and, at the same time, the absence of machine-gun-equipped police on all important corners.

Venezuela has much going for her. Petroleum and iron ore reserves promise a huge continuing income for at least several decades. Industry is continuing to expand; the currency is stable; and the quality standards of Venezuelan products are increasing. In 1966, she completed her accession to the Latin American Free Trade Association (LAFTA), and in 1967 began to negotiate concessions and complementary agreements with other members. While there is still much poverty and maldistribution of income and wealth, there is marked improvement. The long-standing slogan that governs official policy, "Sow the Petroleum," has created programs of very broad-gauge social improvements. The armed forces now seem fully to support the government; the Roman Catholic Church is friendly and cooperative; and the entrepreneurial sector demonstrates an unusual sense of social and public responsibility.

Possibly the most encouraging evidences of national psychological maturation were the calm during and after the earthquake of July 29, 1967, and the equally calm attitudes of the public about the opening skirmishes of the 1968 general electoral campaign. The severe 35-second quake killed about 250 people in Caracas alone and caused much damage. There was no looting and little profiteering; the fire and police forces of Caracas, with support from the national guard and the army, made extraordinarily short work of a dangerous job of demolition and cleanup, and the public behaved well.

The ferment within the older political parties, in preparation for the election, doubtless will have strengthening effects in the long run. Neither the extreme right nor the extreme left clusters of parties and personal groups have yet been able to develop a semblance of unity. In the summer of 1967, the party in power, *Acción Democrática* (A.D.) seemed about to split over issues and candidates, but it will be the end of 1968 before the party will have to face the voters. Although many observers have felt that the Christian Democratic party (COPEI) would probably win the 1968 presidency (for the 1969-1974 term), the party's chances might be no better than 50-50.

The term "developing," with its connotations of dislocation, is nowhere more applicable in Venezuela than in the economic area.

Change and modernization have been extreme in some sectors, while other sectors have scarcely changed. Unbalanced growth is clearly visible in the marketing, industrial, financial and fiscal sectors.

Possibly to a greater extent than has been generally recognized, the market limits industrial and agricultural growth. The Central Office for Coordination and Planning (CORDIPLAN), located in the executive offices of the President of the republic, develops resource and growth plans on a continuous four-year basis. Since the country is committed by doctrine to a high degree of state intervention in the economy, certain basic and heavy industries (steel and petrochemicals, domestic petroleum marketing and electric power, to name the more important) are or will become state enterprises. Other areas, including consumer's hard goods and capital goods production, will become or are open to private enterprise.

The total population was estimated at 9.2 million in 1967. About 40 per cent is agrarian, with a very limited disposable income. Metropolitan Caracas, with about 1.8 million people, is Venezuela's richest market; it is estimated that its population is about 6 per cent upper class, and 36 per cent middle class. Many of the remaining 58 per cent have some purchasing power, since incomes are relatively high compared to the cost of hard goods. Buying power is in the hands of relatively few people, however, since less than half the population is 18 or more years old. Other major cities probably lack Caracas' affluence.

Venezuela was traditionally an importer of both manufactures and food and raw materials. Economically and politically, it was not a single colony of Spain until after 1777, and the severe civil wars for independence, 1810-1821, perpetuated economic and political regionalism. Unity was finally established under Juan Vicente Gómez, dictator from 1908 to 1935; at that time greater unity of the economy and the market had been achieved. In the meantime, the growth of commercial petroleum exports offset tendencies toward domestic imports substitution

production. By the 1950's, nearly all these factors had become exaggerated. Economic policies under the last military dictator, Marcos Pérez Jiménez (1948-1958), did not encourage the balanced growth of the economy.

ECONOMIC DEVELOPMENT

Since taking power in 1959, A.D. has been actively committed to economic development. In general, apart from the basic industrial and agrarian sectors, this has been uncontrolled and in private hands. Several effects are evident.

First, the costs of production are very high in every area. Skilled workers are still relatively scarce, since vocational training facilities, other than those provided by employers, have existed only since 1962. Thus in new industries investors tend to develop capital intensive enterprises, offering a minimum of new jobs.

Second, protective policies maintain the high price structure. A bilateral commercial agreement of 1952 with the United States commits both parties to reciprocal most-favored-nation treatment in a broad range of goods, but licensing by Venezuelan authorities now restricts the effectiveness of tariff concessions.

Third, the limited domestic market and its protected status limit incentives to expand production to take advantage of economies of scale. In many industrial areas (automobiles are the prime example) productive capacity is badly underemployed and unit costs exaggerated.

In seeking to break this syndrome, in 1966 the government joined the LAFTA over the vigorous objection of entrepreneurial organizations. Business must now comply with the circumstances of potential competition in prices, varieties and availability of goods, but the business attitude clearly is that if heels are dragged long enough (as is being done in other LAFTA countries as well) it all may go away like a bad dream.

In 1966, the government introduced a package of tax reform and tax increase bills to the congress, stating that greatly increased revenues were needed to finance the heavy

infrastructure and social welfare programs. Granted the government's premises that the programs are necessary and desirable and that the Venezuelan private sector has never paid appropriately equitable taxes, the reform was justified. The private sector rebelled openly, charging the government with destroying confidence in the stability of the system. Nearly \$300 million in liquid funds fled the country as if to prove the contention, before a compromise was negotiated. The largely American-owned oil companies were left with the major portion of the new charges; as in the past, they will continue paying about two-thirds of the total revenues of the Venezuelan national treasury.

The clash demonstrated the new coherence and countervailing political power of the private sector; A.D. may be socialist in orientation, but it is far from dictatorial. It proved, however, that the private sector is willing to go much farther toward potential destruction of the economy to win a point than would be likely in a more "developed" political economy. Although up to this time the private sector has not possessed enough public backing ever to win elective public office, in this case at least it proved it could communicate effectively with political decision-makers by using tactical elements of politics in a new context and combination.

Petroleum continues to contribute about 21 per cent of the gross national product, and about 92 per cent of foreign exchange earnings. Since all but a minute fraction of this industry is under American or British management, Venezuelan nationalists anticipate the gradual "Venezuelanization" of the industry through the *Corporación Venezolana de Petróleo* (C.V.P.), organized in 1961. As company concessions permitting exploration and exploitation expire in the 1980's, C.V.P. is already planning for future cooperative operations. In the meantime, C.V.P. is developing "service contracts" whereby company personnel and facilities will be contracted to C.V.P. on a fee or possibly a share basis.

Anticipated exhaustion of the oil pools creates a rationale for diversification of the

economy. Venezuelan investors believe that they cannot invest without very large anticipated visible returns, and that high production costs are an unsurpassable barrier. Thus, a notable shortage of capital exists. In part, this is created by capital flight; payments and transfers overseas habitually are the largest single outflow item in Venezuela's external accounts. As a result, industrial investment often cannot occur without large-scale participation either by foreign investors or by the government in mixed public-private arrangements. Much diversification therefore is not private and Venezuelan because of default rather than intent.

The foreign oil companies have reduced production increase figures in the period since 1964, due to increased tax burdens, nibbling by labor unions and the government at management autonomy, and the approaching end of the concessions period when all installations are to revert to the state. At about 3.3 million barrels daily, production, which makes Venezuela the world's third largest producer, and its largest exporter, did not increase in 1966. With the Israeli-Arab war of June, 1967, production had increased by the end of July to 3.7 million barrels. The decreased company enthusiasm contributes to the realization that Venezuelan economy must reorganize in order to finance itself.

This restructuring involves attitudinal change by government as well as by the private sector. Fiscal and banking policies have not yet adjusted fully to the demands of rapid economic development. Bank reserve requirements are still relatively high; discounting and rediscounting of commercial paper within the banking system is not yet a common practice; and cash payments are common. The investment exchanges of the country reflect little relative activity. All these factors are exaggerated by habitual capital flight.

The tradition in the government has also been to remain on a cash basis. Embarrassments over foreign attacks because of unpaid overseas borrowings in 1902 caused legislation precluding overseas bond issues by the treasury. Pérez Jiménez evaded this by large borrowings on the part of the numerous decen-

tralized government corporations which he established. In 1965, the government floated a small issue in New York for the first time in half a century. Practices have dictated balanced budgets, prompt payment of internal indebtedness (and advance repayments of overseas loans whenever possible), and pre-occupation for the maintenance of surpluses on foreign exchange at all times. As a result, the unit of currency, the *bolívar*, is one of the most stable in the world in both internal and external markets, and, in 1966, the International Monetary Fund accepted the *bolívar*, after the Mexican *peso*, as the second Latin American currency available for use as a standard currency.

POLITICAL STABILITY

Increasing stability is also evident in the political arena. The year-end 1968 election will include all elective offices at national, state and local levels for a five-year period.

A.D. plainly is accustomed to command—a party with “a vocation for power.” Originally, its founders had been collaborators with international communism. Their published break occurred in 1931, and before A.D. was founded formally in 1941 they had rejected several invitations to collaborate with the movement inside Venezuela. Since it first came to power in a coup d'état in 1945 with the support of the armed forces, A.D. has not failed to win the largest vote in any free election. President Raúl Leoni, elected in 1963, won by a plurality, however, receiving only 32.8 per cent of 2,917,896 votes cast. Since 1947, A.D. has been unable to control metropolitan Caracas, and has won entirely on the strength of votes from *campesinos* (literally, “countrymen”), and smaller cities. Since A.D. has not seemed effective in urban reorganization, expert observers have long felt A.D. would not win the 1968 election.

Although there are nearly a dozen other legal political parties, only COPEI seems a significant or viable alternative. Founded in 1946 after ten years of political activity by its predecessor organizations, it is based on the papal social encyclicals beginning with *Rerum Novarum* (1891). As these have

moved to the left, so has COPEI. However, its stronghold—and the only region from which it has been able to elect senators—is the conservative west. Its founding leader, Rafael Caldera, already named again as a presidential candidate for 1968, maintained the unity of the west with the rapidly radicalizing younger members located principally in the metropolitan center of the country. Rank and file *copeyanos* often reject the possibility of a party split, due to the moral-religious ideological base of the dogma. COPEI is not a confessional party, however, and should it achieve power it would be confronted by the problem of maintaining unity.

In 1963, Arturo Uslar Pietri, a conservative, surprised many by receiving 470,000 votes (16.1 per cent) for the presidency. He had been supported by a heterogeneous cluster of parties ranging from moderate to extreme right; in 1964, he combined many of them in the *Frente Nacional Democrático* (F.N.D.). In that election, Jóvito Villalba, the long-term leader of the *Unión Republicana Democrática* (U.R.D.), an actively opportunistic and essentially moderate leftist candidate, received 551,000 votes (18.9 per cent). Caldera had received 588,000 votes (20.2 per cent).

COPEI had been in coalition with A.D. during the government of Rómulo Betancourt, 1959–1964, but rejected the terms on which a renewed coalition was offered. In 1964, F.N.D. and U.R.D. joined in the *Amplia Base* (broad base) coalition with A.D., which broke down in March, 1966, with F.N.D.'s withdrawal. Uslar Pietri had alienated many followers by participating, however, since previously he had been noted for his anti-A.D. antagonisms. As soon as he left the coalition, F.N.D. all but disintegrated.

Uslar Pietri therefore seems most unlikely to be an important element in 1968. U.R.D. had had much trouble with a radical left wing prior to the 1963 election, and expelled it in 1964. In 1966, the party's right wing split away as well, leaving a central portion of personal followers of Villalba. In the summer of 1967, Villalba had virtually put the party on the block to the highest bidder

in search of a partnership for 1968, but in 1967 U.R.D. also seemed likely to be insignificant.

On the left, a similarly fractionated situation exists. The *Partido Comunista de Venezuela* (P.C.V.), which is Moscow-controlled, was incapacitated politically (but not outlawed) in 1962 because of its involvement with the very violent guerrilla movement which received much support from Cuba's Fidel Castro. The crypto-Communist *Movimiento de Izquierda Revolucionario* (M.I.R., Leftist Revolutionary Movement), which also supported the guerrillas, was incapacitated at the same time. P.C.V. remains united, and in 1967 renounced violence as a political instrument in hope of being permitted to become active. M.I.R. split in 1964; its "hard line" still supports a tiny guerrilla movement, but its "soft line" former members have joined small splinter leftist parties.

The enigma for 1968 is retired Admiral Wolfgang Larrazábal. After serving as president of the provisional government of 1958, he ran for the constitutional term (1959–1964) as the joint U.R.D.-P.C.V. nominee. He returned to run in 1963, but did less well. He has been built up and embraced by the *Fuerza Democrática Popular* (F.D.P., Popular Democratic Force), which has already announced that he will be its 1968 candidate. Although Larrazábal has denounced political violence and the P.C.V. on several occasions, leftists still believe they can control him and unite around him. In 1967, however, this remained a remote possibility.

The current certainties therefore are A.D. and COPEI. In the summer of 1967, A.D. was entering a period of severe internal clash over policies and potential candidates. The "old guard," which has led the movement for 40 years, is reluctant to give up its control; younger and more progressive members now have taken a severely critical position, since after holding power for a decade A.D. has in fact abandoned its original ideological leftist position for pragmatic moderation. The critics also have different candidate preferences. The party nominating convention, originally scheduled for late 1967, has

been postponed until early 1968; in the meantime, for the first time, convention delegates will be elected by party elections, rather than appointed by local party bosses.

COPEI has never suffered a formal break-away, but it also has experienced an internal clash of generations and issues. It is now making serious efforts to win the Caracas vote, and in 1967 developed a secret block organization—paralleling the regular party structure and modelled on the experience of the German Christian Democratic party—which is financing most of its operations. Should COPEI win control in Caracas, while retaining its votes elsewhere in the country, it surely would win the presidency.

THE COMING ELECTION

The significance of the election for future stability and development is great. Although the private sector is sharply critical of some A.D. policies, that party's pragmatic drift to the right has been very reassuring to it over the past ten years. (The same drift has alienated many in the underprivileged lower class, who feel, with some justification, that social improvements so far have tended to widen, rather than narrow, the gap of power and status between them and the neo-liberals of the upper and upper-middle classes.) Further, the armed forces, who for many years rejected any government not controlled by military officers, have come to feel confidence in the conduct of public affairs by A.D.

COPEI has a less confident following. It has never had decision-making power, and thus lacks the cadres of experienced figures;

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Philip B. Taylor, Jr. has taught at the University of Michigan and at Tulane and Northwestern universities. He made a short trip to Argentina during the summer of 1967 and in 1966 he was on leave in Bogotá, Colombia. Mr. Taylor is a frequent contributor to scholastic journals and is the author of *The Government and Politics of Uruguay* (New Orleans: Tulane University Press, 1962). He is presently finishing his book on Venezuelan politics.

Although this observer notes that "domestic unrest continues to plague the country," he finds that "Bolivia's economy is becoming progressively stronger."

Bolivia Under Barrientos

By DWIGHT B. HEATH

Associate Professor of Anthropology, Brown University

FOR ALL THE TALK about revolution in Latin America, only Mexico, Bolivia and Cuba have undergone the kind of social upheaval that results in a significant restructuring of society and a redistribution of wealth and power. The context of revolution has been different even in each of these nations and the outcomes have been unique to each country, although there is a striking uniformity of rhetoric. Close examination of recent developments in Bolivia reveals the intricate interplay of values, personalities and events that combine to shape her current situation.¹

The politically active portion of the Bolivian population shares the concern for verbal facility that is an important part of the Latin heritage, and it is in this connection that some fundamental misunderstandings arise. In marked contrast to the Anglo-Saxon attitude, Bolivians see "truth" as situational rather than absolute, and prefer to tell a person what they think he would like to hear rather than risk injuring his self-esteem (*dignidad*). One of the most valued Bolivian skills is *palabrear* (to talk effectively), and eloquent utopian formulations, however unrealistic, are esteemed, while empirical and pragmatic approaches to problems

tend to be scorned as pedestrian. A "conversation" is often really a series of speeches, with each participant developing his own position, with no attempt to reconcile or relate what he says to the points expressed by others. In such a context, "constructive criticism" is a contradiction in terms, and "frankness" an unthinkable breach of etiquette. It is bad taste to confront anyone with unpleasant realities, and "compromise" is a dirty word. Promises are intended to convey the speaker's awareness of his audience, but are not viewed as binding commitments.

Related to this concern for verbal facility and preference for form over content, there are other fundamental assumptions that differ from those of North Americans. The ideal of *personalismo* is very different from Anglo-Saxon individualism—it has to do with respect for each individual's unique personality, rather than with his being "as good as anyone else." Such a personalistic orientation gives rise to widespread inequity in the application of laws, to nepotism and patronage, favoritism and opportunistic manipulation rather than inflexible bureaucratic routines.

Therefore there is little to inspire confidence in business, government, or even personal relations, except among each individual's small circle of *amigos de confianza* (trustworthy friends). To an outsider, this may sound anarchic and self-defeating, but such a value system is viable, and even re-

¹ A brief but comprehensive introduction to the geography and history of Bolivia is Harold Osborne's *Bolivia: A Land Divided* (3d ed., rev.; London: Royal Institute of International Affairs, 1964). For more detail on social and political institutions, see *U.S. Army Area Handbook for Bolivia* (Washington: Special Operations Research Office, 1963).

warding, for those who understand and exploit it.²

COUPS AND UNREST

During the colonial period, brief uprisings among the Indian peasants occurred sporadically in Upper Peru (as Bolivia was then called) but they were almost always quickly and brutally quelled. Although the earliest spokesmen for independence from Spain were the intellectuals of Chuquisaca (now Sucre), their country was the last to gain it. Throughout the republican period, a dreary succession of coups d'état gave the appearance of chronic revolution in a country that actually saw little social change. For over a century, Bolivian heads of state averaged less than a year in office, although there was a fundamental continuity of the old oligarchic system. Most of the coups were "palace revolutions," a stylized game of musical chairs affording brief incumbency—and associated rewards—to many within the small group of literate whites and mestizos, but neither reflecting nor affecting the wishes of the Indian majority, who were not only politically impotent but also relegated to a virtually sub-human status.

In effect, the peasant masses were tools that had nothing to do with the distribution of the wealth they produced. Occasionally there were brief local uprisings protesting specific grievances, but there was no effective leadership or sense of common purpose among the peasantry, and the landed gentry managed the country in an uneasy alliance with "the tin barons."

Distinct from the tradition of unrest among the peasant caste in the highlands was a regional tradition of unrest among the intelligentsia of Santa Cruz, an immense, sparsely populated state in the tropical lowlands east of the Andes. During the colonial period, a totally different social order emerged in this region, where the Indian heritage, both physi-

cal and cultural, merged early with the Spanish. Poor in mineral resources and remote from administrative centers, Santa Cruz remained a frontier area that contributed little to the government and got less in return; its stepchild status reflected the fact that it was placed successively under the administrative jurisdictions of Charcas and Buenos Aires before becoming an intendency in its own right.

Cruceños are still fiercely proud of their supposed racial and cultural superiority over the highlanders, whom they accuse of political and economic exploitation. Secessionist movements were frequent throughout the republican period; an extreme expression of this came in the founding of a short-lived "Republic of Santa Cruz de la Sierra" in 1935.

It is a moot question whether these kinds of disturbances should be called "revolutions." Just as the palace revolutions had little impact outside the capital city, the peasant uprisings and the secessionist movements had little impact beyond the local areas where they occurred. However, they illustrate prevailing tensions within the system and a potential for violence that combined in the middle of this century to produce a true social revolution.

REVOLUTION OF THE M.N.R.

Even today, probably more than half the 3.5-million population live on the fringes of the national economy, working at agriculture or herding, and using their native languages rather than Spanish. But pervasive and irreversible changes were effected by the Nationalist Revolutionary Movement (M.N.R.) that ruled the country from April, 1952, until November, 1964, led by Victor Paz Estenssoro. The M.N.R. comprised a loose coalition of middle-class intellectuals of disparate political views, united only in their opposition to the old regime. They came to power in a bloody revolution, and managed to suppress continued opposition ruthlessly for an unprecedented 12 years.

Their totalitarian abuses must be weighed against the abuses of the system they displaced, in the light of the fact that their social

² The foregoing characterization applies generally to Spanish-speaking whites and mestizos, but not to Indians whose values and world-view are very different. Some readers may find this a harsh judgment, but it is shared by many Latins as well as by Anglos.

revolution unquestionably brought long-term benefits to the masses.³ Universal suffrage broke the electoral oligopoly, and M.N.R. agents effectively planted the seeds of grass-roots political awareness and activity in local cells (*sindicatos*) throughout the country. Land reform broke up the haciendas that were the basis of the feudal order, and made proudly independent freeholders of the former serfs. Nationalization of the major mining companies was symbolically important, although it soon proved economically disastrous. An intensive drive to provide schooling even for rural children is a response to deeply felt needs, and will gradually provide a basis for incorporating these rural people into a functioning citizenry.

These are dramatic successes, but Bolivia remains one of the poorest and most backward nations in a worldwide perspective. Probably the most significant change is the new attitude characterized simply but eloquently by Indian peasants who, with unaccustomed pride, proclaim "We are becoming human beings."⁴

"THE REVOLUTION OF RESTORATION"

The downfall of the M.N.R. came in a brief but bloody "Revolution of Restoration" early in November, 1964. A military junta under Air Force General René Barrientos Ortuño proclaimed its apolitical concern for "quelling anarchy" and "laying the basis for clean constitutional government." There was general confusion for a few months while ex-landlords hoped that the military would behave in the expected rightist manner and rescind the social reforms enacted by M.N.R., but Barrientos (formerly the M.N.R. vice

president) asserted that his purpose was to return to the original aims of the nationalist revolution, from which the party had progressively diverged.

During 1965, the junta had a hectic year in which it had to put down a series of insurrections, mostly in the mining areas. Army General Alfredo Ovando Candia proved his quiet power, and was named copresident. The major social reforms of M.N.R. were not rescinded, and a new political party, the Popular Christian Movement (M.P.C.), was founded in support of Barrientos while he continued to proclaim himself an apolitical military man. M.P.C. did not long survive a half-dozen successive postponements of elections and the unconstitutional decision by Barrientos to campaign while remaining in office. In November, 1965, elections were finally set for the following July, and Barrientos resigned in January, 1966, leaving Ovando to head the junta.⁵

With almost 20 political parties representing the entire spectrum from Trotskyite to fascist, Bolivian campaigns are often heated and blocs are small. Barrientos managed to meld a new coalition: the Socialist Democratic Party (P.S.D.) and the Authentic Revolutionary Party (P.R.A., an offshoot of M.N.R.) joined the Leftist Revolutionary Party (P.I.R.), to form the Bolivian Revolutionary Front (F.R.B.). As usual, several parties decided at the last minute to boycott the elections in protest against expected electoral manipulation. Barrientos and his running mate, Luis Adolfo Siles, won; their F.R.B. also took a comfortable majority in congress. Contrary to widespread premonitions, Ovando returned the presidential sash to Barrientos on schedule in August and returned to the background again as commander in chief of the armed forces. The F.R.B. was dissolved in July, 1967, when P.S.D. and P.R.A. withdrew their support of Barrientos, leaving only the Marxist P.I.R.

On the first anniversary of his inauguration (August 9, 1967) the President's message to congress was optimistic, citing rising exports and a \$12-million favorable balance of trade, as well as a 3.3 per cent rise in per capita

³ A generally reliable account of the background and early achievements of M.N.R. is offered by Richard W. Patch, "Bolivia: U.S. Assistance in a Revolutionary Setting," in Richard N. Adams, *et al.*, *Social Change in Latin America Today* (New York: Council on Foreign Relations, 1960).

⁴ For detailed analyses of change in three ecologically and culturally distinct regions, see Dwight B. Heath, Charles J. Erasmus, and Hans C. Buechler, *Land Reform and Social Revolution in Bolivia* (New York: Frederick A. Praeger, forthcoming).

⁵ For a more detailed chronology and analysis of the events of 1964-1965, see Heath, "Revolution and Stability in Bolivia," *Current History*, December, 1965, pp. 328-335.

gross national product. Such statistics are difficult to evaluate, but it is clear that Bolivia's economy is becoming progressively stronger. Private investment, both foreign and domestic, has markedly increased in recent years, and a variety of more focused foreign aid projects are being supported by several countries.

Domestic unrest continues to plague the country. Part of this unrest stems from the severe measures taken to foster economic development. For example, drastic reorganization was necessary to get the national mining corporation (COMIBOL) on a paying basis; supposedly the bulwark of the economy, it had lost nearly \$100 million because of featherbedding, mismanagement and so forth. When the world price of tin was \$1.50 per pound, COMIBOL continued to produce it at a cost of \$1.97. The grip of the unions was broken only after weeks of bloody fighting, and many militant leaders were exiled. Nearly half of the 40,000 mine employees were fired, and there were drastic cuts in salaries and fringe benefits for those who stayed, while the army maintained tight control of the area. In spite of the unrest, COMIBOL showed a profit in 1966 for the first time, but another strike and insurrection occurred in mid-1967 when the miners declared Huanuni, Catavi and Siglo Veinte "free territories." An uneasy peace was restored only after the army again defeated the miners in sustained open combat.

Another basis for domestic unrest is a crisis of confidence concerning guerrilla warfare in the Santa Cruz area, where continuing military effort during the last five months has been ineffective against a small group of supposed Castroites.⁶

GUERRILLA WARFARE

Since late March, 1967, there have been about 25 clashes reported between a self-styled "National Army of Liberation" (guerrillas) and small army units. It would have been easy to dismiss the early accounts of

guerrilla activity as a red herring at a time when President Barrientos would have been glad to distract attention from the troubled mining areas and to get large-scale military aid from the United States. On previous occasions, M.N.R. President Paz mislabeled local feuds in that way and may even have "staged" guerrilla uprisings for those purposes. Reports of the recent actions are fragmentary, even in the Bolivian press, but cumulatively they present a plausible pattern.

Casualties have been one-sided; the guerrillas have lost only two men, while the army has lost more than thirty. Estimates of guerrilla strength have varied enormously. The Bolivian administration has progressively reduced its estimates from "about 1,500" to "about 150"; other sources that early spoke of "450 to 600" guerrillas, now generally speak of "60 to 100."

Most action has been in a rugged area in the eastern foothills of the Andes, midway between the oil town of Camiri and the agricultural center of Santa Cruz. In this remote, sparsely populated region of interspersed desert and thorny jungle, game is abundant, so guerrillas can live off the land; the climate is hot, so shelter is not a problem; and the young Indian draftees from the highlands who comprise most of the opposing government soldiers are uncomfortable and inefficient.

It would also have been easy to question the Bolivian government's readiness to identify the guerrillas as Castroites, but healthy skepticism again must give way under mounting fragmentary evidence, including pronouncements by Cuban Premier Fidel Castro himself, and convincing identification of some of the leaders.

One of the most tantalizing questions raised by the guerrilla action in eastern Bolivia is whether Ernesto "Che" Guevara had a hand in organizing it. For several years, he and Castro had promised, or threatened, to foment revolution throughout Latin America. According to special inspection teams from the Organization of American States, Castroite Cubans actively attempted to start guerrilla warfare in Venezuela, and are cur-

⁶ There is no ideological continuity between this group and the *Cruceño* secessionist movement, which was ruthlessly suppressed in 1959.

rently supporting movements in Guatemala. They are rumored to have been active in many other countries as well, and when Bolivia finally broke diplomatic relations with Cuba in August, 1964, it was ostensibly because Cuba was arming and supporting a different band of guerrillas in the eastern lowlands at that time.

Guevara has had a long career of international agitation; he worked as a revolutionary in Bolivia before he gained fame in Cuba, where he was last seen in April, 1965. Widespread speculation continues about whether he is dead, or is starting and directing guerrilla bands in other countries. He had often said, that "The Andes will be the Sierra Maestra of the continent." He is said to have been seen on various occasions recently in Bolivia and Régis Debray only recently retracted his earlier affirmation that it was Guevara who organized the guerrillas in Bolivia. The organization and operations of the Bolivian guerrillas indeed follow "Che's" prescriptions, but they are spelled out in such detail in his well-known little how-to-do-it manual that any literate person could lead a disciplined band in his kind of guerrilla warfare.⁷ In short, there is no firm evidence to indicate that Guevara has played an active role in this area, but neither is there any firm evidence that he has not.

Feelings against the guerrillas run high in many Bolivian circles. They are an obvious thorn in the side of the incumbent regime; although they are not the rallying point of any large-scale grass-roots movement, their presence is an embarrassing reminder of continuing unrest, and also of the government's tenuous control over outlying areas. Disgruntled miners have publicly affirmed their solidarity with the guerrillas, but there is no indication that any of them have actually joined their force, which is presumed to be predominantly non-Bolivian in membership.

Without belittling the human tragedy involved in the loss of some 30 men, it is a small toll for so long a war. The guerrillas only

recently opened a second front, near the city of Santa Cruz. They have not even begun to sabotage on a serious scale, although they are strategically located to disrupt the road and railroad to Argentina, and the oil pipelines that serve the entire country.

It is hardly to be expected that Castroite guerrillas would elicit much support in Bolivia, where the basic social revolution occurred years before it did in Cuba. Agrarian and educational reform, nationalization of major industries, universal suffrage, and an end to internal colonialism have already been achieved in Bolivia, so the rhetoric of Castroite socialism offers little to the peasants there. The guerrillas have made no appeal to the strong regionalist sentiments of lowland Bolivians, either. In fact, they seem to have made no real effort to muster any significant local support.

Neither do they appear capable of posing any real threat to the political and economic stability of the country. It may well be that they have no true interest in such a goal. Although the guerrillas have not said so, it seems likely that they are less concerned with effecting revolution in Bolivia than with serving as a continuing focus of revolutionary action, to demonstrate that a guerrilla band can survive in a South American country. By so doing, they could encourage dissidents to initiate guerrilla warfare in other areas. Eastern Bolivia is an excellent place for such a demonstration: remote, with difficult terrain, shrewd guerrillas could survive indefinitely against a poorly trained and ill equipped army. If they intensify their harassment of the military and undertake disruptive sabotage, these acts will be more meaningful as examples to potential guerrillas elsewhere in the hemisphere than as aggressive actions against the Bolivian government. Their continued presence has symbolic value to the rest of the world—unquestionably more than it has for Bolivian peasants a few miles away. The assumption that international publicity is probably their main aim also makes some sense out of the otherwise fantastic Debray affair.

The Debray affair is one of those instances

⁷ Available in English: Che [sic] Guevara, *Guerrilla Warfare* (New York: Monthly Review Press, 1961).

where a strong personality and a confusing context have combined to lend apparent weight to an intrinsically trivial event. It is difficult to judge whether Jules Régis Debray actually set out to make himself the focus of an international incident; it is clear at least that he is now basking in incidental glory. His trial has become a *cause célèbre*, and has focused international attention on the guerrilla movement as few other incidents could.

An articulate spokesman of the new generation in France, shocked and repulsed by his countrymen's abuses in the Algerian war, he agrees with his friend Castro that revolution is necessary for the liberation of the Third World. His little book on *Revolution in the Revolution*,⁸ has been hailed as a major contribution to the theory of revolution, because he calls military action a prerequisite to political organization (rather than vice versa, as did Lenin, Mao, Guevara and others). He also stresses that supposedly universal principles enunciated by the spokesmen for revolution must be adapted in terms of local contexts.

Debray was captured with two foreign companions, all unarmed, in a small town in the zone of guerrilla activity, and stands accused by a military tribunal of having collaborated with the guerrillas in murder, theft and other crimes. He claims to have been in the area only as a journalist; it is not yet clear (in August, 1967) whether he had even entered the country legally. One of his companions, English journalist George Andrew Roth, has already been acquitted and released; the other, "an Argentine artist," is no longer even mentioned in the fragmentary press reports, whereas Debray is featured in newspapers and magazines throughout the world.

Several French writers refer to Debray as "another Dreyfus." One North American observer speaks of Debray's role as a martyr, symbolizing all white men who find them-

selves "caught on the wrong side of a world revolution."⁹ Others stress his family connections: his father, a prominent French lawyer, is said to have elicited a strong appeal from the Pope on his son's behalf; his mother, a city councilwoman of Paris, probably encouraged French President Charles de Gaulle to write his even stronger appeal to President Barrientos. Advertisements in *The New York Times* and editorials in the foreign press generally convey the impression—whether intentionally or not—that the authors hold no hope that a Bolivian tribunal could deal justly with "a leading French intellectual" (as Debray is almost invariably identified). It is a commonplace in human behavior that opposition to an out-group can temporarily override dissension within a group, and it has happened in this instance; sophisticated Bolivians, who loudly deplore the pervasiveness of graft and influence-peddling in their own courts and government, stand united with the masses in their rejection of this affront to national pride.

Coverage of the case in the Bolivian press is as fragmentary, confused and confusing as it is in the press of European and other American countries. Even some Frenchmen have recently tempered the indignation and outrage that colored their coverage in earlier months, perhaps because the defendant has done so much to antagonize his sympathizers as well as the Bolivians. He declined to have his defense handled by the prominent Bolivian lawyer who was appointed by the court, insisting that he could better defend himself. He has also taken peculiar advantage of the publicity potential each time he has been interviewed by a foreign journalist, even when it meant saying the opposite of what he had said in a previous interview. A public trial is scheduled to follow secret hearings early in September, 1967, and the outcome of Bolivia vs. Debray will undoubtedly be weighed around the world as an example of "the New World vs. the Old World," "reactionaries vs. revolutionaries," "provincials vs. cosmopolites," "the military vs. the intellectuals," and whatever other oppositions people want to epitomize.

⁸ Available in English: Régis Debray, *Revolution in the Revolution?* (New York: Monthly Review Press, 1967).

⁹ See Adam Hochschild, "The Radical Philosophy of Régis Debray," *Ramparts*, September, 1967.

INTERNATIONAL RELATIONS

A 26-year old journalist has turned the eyes of the world on Bolivia in a way that her own people, their revolutions and civil disturbances, and an international guerrilla movement could not do.

Just as the several political parties and other factions within the country militate against a peaceful and orderly succession of government internally, the country suffers from having poor relations with many of her neighbors. President Barrientos has done a considerable amount of fence-mending during his first year, but much remains to be done.

Only 30 years ago, the Chaco War drained the financial and manpower resources of both Bolivia and Paraguay, although the latter won a large tract of desert that was thought to be rich in petroleum. Popular resentment remains strong; and the Chaco War Veterans is virtually the only organization that has a nationwide membership. Nevertheless, Paraguay continues to accept political exiles from Bolivia.¹⁰ And one of President Barrientos' rare trips abroad was to visit Paraguay President Alfredo Stroessner in October, 1966.

Barrientos also met with his Peruvian counterpart, Fernando Belaúnde Terry, that same month, to dramatize the proposed "Marginal Jungle Highway" that is intended to link the potentially rich tropical lowlands east of the mountains in each Andean country. Peru sided briefly with Bolivia against Chile in the calamitous War of the Pacific in the 1880's, and relations between the countries are generally amicable.

A long-standing agreement to exchange petroleum for technical skills and equipment led to the recent completion of a railroad between Santa Cruz in eastern Bolivia and Yacuiba in northern Argentina. There were reports in mid-1967 that President Barrientos had requested Argentine military assistance in subduing the guerrillas, but he denied the reports and it hardly seems likely that he would invite Argentine troops into the country, although relations appear to be good.

Remembering the loss of the rubber-rich Acre region to Brazil late in the nineteenth century, a few Bolivians worry about the supposed mineral wealth along the immense Brazilian-Bolivian frontier that has not even been fully delineated in the sparsely populated Mato Grosso region. A railroad connects Santa Cruz with Corumbá, providing a tenuous link to distant Brazilian ports on the Atlantic, but it is fast falling into disrepair. When Bolivia discontinued the petroleum shipments that were to have paid for the line, Brazil withdrew her support of the railroad. By and large, there seems to be little warmth or antagonism toward Brazilians, and national policy is not clear to an outsider.

It is with Chile that the Bolivians are most angry, in official terms and with enormous popular support. If there is a single slogan that unites Bolivians, it is "Bolivia demands her right to the sea." The allusion is to the loss in 1884 of an 800-mile strip of desert along the Pacific. Chile has allowed Bolivia to use Arica as a free port, and the barren region had only brief importance as a source of nitrates. But the pride of a landlocked nation cannot be measured in economic terms, and Bolivians also resent Chile's diversion of waters of the Lauca River, which crosses their boundary in the arid southwest. Further, President Barrientos earned brief popularity at home when he refused to attend the hemispheric summit conference at Punta del Este in April, 1967, protesting that the agenda did not include discussion of his country's dispute with Chile. In April, 1962, Bolivia suspended diplomatic relations with Chile, and has occasionally withdrawn from the council of the Organization of American States, to dramatize her indignation that other countries do not support her claim for restoration of at least a narrow strip of coast, including the port of Mejillones.

In spite of these sources of tension, Bolivia is beginning to join some of her neighbors in efforts at regional development. In January, 1967, a new constitution was enacted, the first anywhere to include explicit endorsement of a hemispheric alliance. The southeastern quadrant of the country lies in the basin of

¹⁰ As a diplomatic courtesy.

the River Plate, and will be included in a study of the development potential of that area by the Inter-American Development Bank. Similarly, the narrow strip that comprises the densely populated western highlands is traversed by both chains of the Andes, so it is appropriate that, in August, 1967, Bolivia declared her intention to join Colombia, Chile, Ecuador, Peru and Venezuela in a proposed regional common market, the Andean Development Corporation.

Foreign financial and technical aid has become more diversified (in terms of sources) and more focused (in terms of purposes). The United States has gradually withdrawn her subsidy of the general budget of the government of Bolivia from a high of 30 per cent in the mid-1950's to nothing in 1966. Fewer and smaller grants for technical aid are being made by the United States, with emphasis on public administration, mining, education, agriculture and stockraising, housing and transportation. Military aid has been stepped up and United States Ambassador Douglas Henderson says that "a Ranger battalion" is being trained to fight the guerrillas.

The Inter-American Development Bank is also helping to finance agricultural development, colonization, housing, electrification and water and sewage systems.

France has granted credits for the purchase of passenger planes, urban water and electrification, and a cement plant, and has provided scholarships for Bolivian students. West Germany is intimately involved in mining development and in both vocational training and university education. Negotiations with Spain may lead to large-scale installations of prefabricated schoolbuildings throughout the country.

The United Nations is helping in the development of mining and petrochemical industries, and supporting a program of cooperatives in the gold fields around Tipuani. The Organization of American States has established an Institute of Advanced Public Administration in La Paz, and is sponsoring research on agrarian problems throughout the country. The British Tropical Agricultural Mission also remains active.

A new climate of relative confidence in the years from 1964 to 1967 is reflected in the growth of private investment in Bolivia. An unprecedented building boom is largely funded by domestic capital. Foreign missionaries have had some limited success in establishing small cooperatives in villages throughout the country, but the first commercial savings-and-loan association was founded in La Paz only in 1966. Some United States banks have also opened branches there, and foreign capital is being attracted in diverse mining and petroleum enterprises.

A PRECARIOUS BALANCE

The current situation in Bolivia is difficult—but it is impossible to imagine a time when that was not the case. Bolivia's cherished rhetoric and basic values are foreign to the scientific-pragmatic orientation that dominates in the modern world. Bolivia's tradition of violence and instability seems perilous, but a drastic social revolution has been achieved fairly quickly and without mass murder.

Guerrilla warfare appears to be a long-term prospect, but on a scale that will hurt few people and pose no threat to the government. The guerrillas may have no real interest in hurting Bolivia. Debray's case is interpreted in so many different ways that the Bolivians realize they cannot please everyone, no matter what the outcome of the trial, although their country is beginning to partici-

(Continued on page 307)

Dwight B. Heath has done ethnographic field work in Mexico, Guatemala, the southwestern United States and especially in Bolivia, where he has served as research anthropologist and consultant to the Peace Corps, the Land Tenure Center, and the Research Institute for the Study of Man. He is the co-author of *Contemporary Cultures and Societies of Latin America* (New York: Random House, 1965), and the forthcoming *Land Reform and Social Revolution in Bolivia* (New York: Frederick A. Praeger).

"Did Onganía really initiate a revolution?" This economist says no, pointing out that "Argentina's revolution was already in process prior to Onganía, prior to Guido, prior to Aramburu and, for that matter, prior to Perón. . . ."

Revolution in Argentina?

By ALVIN COHEN

Associate Professor of Economics, Lehigh University

IN JUNE, 1966, the elected president of Argentina, Arturo Illía, was overthrown by a military coup led by Lieutenant General Juan Carlos Onganía. Thus, for the second time in less than five years, Argentina's military disrupted the political processes and prevented a president from finishing his term of office. The other intervention took place in March, 1962, when the military "arrested" President Arturo Frondizi. Onganía participated in both interventions. In the earlier coup, the presidency went to José María Guido, president of the Argentine senate and, constitutionally, Frondizi's legitimate successor. In assuming presidential powers in 1966 Onganía was vindicating his own removal by Illía in 1965 from the position of commander-in-chief of the armed forces.

A military intervention in a country's legitimate political processes is a reactionary maneuver, whatever its intent or the attendant circumstances. Politically, the attendant circumstances in 1966 included the fact that the Illía administration lacked wide popular support. Illía's election in 1963 was achieved by just over 25 per cent of the votes cast. Blank votes, a Peronist tactic, were 18 per

cent of the votes cast, the second highest percentage in the 1963 election. By way of comparison, Frondizi had been elected in 1958 with 45 per cent of the votes cast. Furthermore, in the congressional election of 1965, Illía's *Unión Cívica Radical del Pueblo* party had been barely able to retain its superiority of numbers in both of Argentina's legislative houses, while the position of the Peronist *Unión Popular* party had improved. (Peronists use the blank vote strategy only in presidential elections when they are unlikely to win.) As a result of these elections, the *Unión Popular* had the second largest congressional representation.

Illía's inability to achieve wide popular support was mentioned as one convenient rationalization for the coup. Whatever the contributing political factors to Illía's lack of support, and these are various—e.g., his position on contracts with foreign private enterprise for the exploitation of oil—Argentina's poor economic performance during, and even before, Illía's 1963 election, must also be considered. This is in spite of the fact that Argentina has long been one of the most advanced Latin American countries. Argentina's economic performance has been inconsistent, and unimpressive, when compared with other southern hemisphere Latin countries, even when compared with those least appropriate—less European or more Amerindian, for example.¹

¹ United Nations, Economic Commission for Latin America, *Economic Survey of Latin America, 1964* (New York: United Nations, 1966), p. 8, and United Nations, Economic Commission for Latin America, *Índices de Actualidad* (Santiago, Chile: Comisión Económica para América Latina, 1967), No. 4, p. 5.

Basically, the explanation will have to be found in the productivity sector. Here Argentina suffers from low productivity, low savings and, therefore, a low rate of investment. Gross domestic product, in millions of pesos at 1960 prices, declined absolutely after 1961. Gross private investment, including inventory, also declined absolutely; furthermore, relative to gross domestic product, investment declined from 25 per cent in 1960 to 20 per cent in 1963.² Moreover, the level of public or governmental investment did not offset this decline because government investment also declined in real terms.

Naturally, a large number of financial or monetary considerations, like the money supply, the availability of credit and the international reserves position, are operative. One must also consider the political environment in which both the private and the public sectors made their investment decisions.

Argentina's political environment has been significantly less stable since the overthrow of Juan Perón in 1955. After Perón, the military ruled until 1958. The elections in that year gave the presidency to Arturo Frondizi. Frondizi, however, failed to complete his term. He was overthrown by a military coup in 1962. Elections were held in 1962, but annulled. When new elections took place in 1963, Arturo Illía was the victor. Illía, nonetheless, fell by a military coup in 1966. Political instability in Argentina is the more surprising when one remembers that Argentina's population is basically European, has a literacy rate of about 87 per cent, and is politically active, with about 50 per cent of the total population participating in the 1962 election.³ (In the United States presidential election of 1964, 39 per cent of the population voted.)

² United Nations, Economic Commission for Latin America, *Statistical Bulletin for Latin America* (New York: United Nations, 1966), Vol. III, No. 1, p. 124.

³ Charles W. Anderson, *Politics and Economic Change in Latin America—the Governing of Restless Nations* (Princeton: D. Van Nostrand Company, 1967), p. 127.

⁴ International Monetary Fund, *International Financial Statistics* (Washington, D.C.: International Monetary Fund, 1967), July, 1967, pp. 40–43.

Of the financial or monetary considerations which detracted from Illía's support, increases in the money supply, in so far as this was accompanied by price level increases and losses of purchasing power, have been important. When Illía was inaugurated, the money supply stood at 289.64 billions of pesos ("nacionales").⁴ By the time of Illía's overthrow, the supply of money had risen by 126 per cent, to 655.83. The cost of living index, using 1958 = 100, was at 493 when Illía assumed office but had risen to 985 by the time of the coup, an increase of almost 100 per cent. Wages were increasing at just about the rate of the increase in the cost of living, while the rate of increase in private consumption expenditures was lower.

Since the performance with respect to real per capita gross domestic product was poor, these figures suggest not only little or no increase in the standard of living, but also a disequal sharing of the burden of inflationary tendencies in favor of the capitalists. However, because the actual investment rate was low (virtually unchanged during this period), the capitalists were not taking advantage of their monetary gains to increase their investment rate but were, in reality, taking profits by means of the increased money supply-price level increases.

Some of the difference between the increase in the money supply and the increase in the cost of living is explained, also, by the relationship between imports and exports. The increase in the money supply, all things being equal, is an increase in demand. With the cost of living, and wholesale prices as well, not rising as rapidly, there should have been an increase in imports. These rose from \$244.3 million in the second quarter of 1963 to \$281.3 million in the second quarter of 1966. For annual totals, the increase was from \$980.7 million of imports in 1963 to \$1,198.6 million of imports in 1965. Argentina's level of exports for the same period, valued in terms of United States currency, did not increase at the rate of increase of imports.

Although import prices rose to Argentina's disadvantage, her export prices rose as well.

The volume of imports was exceeding the volume of exports. Unfortunately, Argentina's export sector was not reinvesting to increase export productivity. An additional complication was the high level of investment income to be repatriated. As a result of these conditions, Argentina's foreign exchange position rapidly deteriorated. The *peso*/dollar ratio weakened from 138.90 to the dollar in the second quarter of 1963 to 204.80 to the dollar in the second quarter of 1966. With it, Argentina's international financial credit position weakened and Illía's support, particularly from the business community, declined. The decline in the international position of the *peso*, consequently, is closely related to Illía's loss of internal political support, a support which was never widespread.

The military argued that they had an obligation to restore international confidence in the Argentine economy and to correct the internal weaknesses in the political structure—this latter including appropriate steps to control or eliminate pro-Peronist and pro-Communist activity, even using extra-constitutional methods. Nevertheless, in spite of Illía's lack of popular support, the military intervention and the military regime's subsequent policies have given rise to much opposition. The intervention was appreciated by only a small number of conservative groups.

REPRESSIVE ACTIONS

As a consequence of widespread disaffection, the military regime has felt itself threatened and has had recourse to repressive measures to silence its opposition.* It has moved in a number of directions to achieve the appearance of both stability and respect.

An almost immediate act was the move against the communications industry. In July, 1966, shortly after assuming power, Onganía initiated press restrictions by banning a conservative, business newsletter, *Prensa Confidencial*. Simultaneously, all periodicals and radio stations were cautioned to avoid

statements, editorials and news items that would tend to weaken or reflect unfavorably upon the administration. Subsequently, the administration (having banned political parties in 1967 and having seized their assets) decided to increase its use of the newspapers for purposes of informing the public of the government's activities. To a limited extent, the government also plans to use the newspapers to ascertain public reaction to these activities. Thus, Argentina's privately owned newspapers have once again become instruments for the dissemination of public propaganda.

The Argentine national universities have long been activist centers for anti-government politics, although all political parties are normally operative on the national university campuses. Because of their opposition to any current regime, the anti-government factions receive both the most publicity and, generally, the greatest interference. That Onganía should have encountered strong opposition in the universities is as unsurprising as was his need to suppress this opposition. Shortly after seizing the presidency, Onganía declared the national universities closed as of July 29. His pretext was that this was a temporary closing and that it would give the university officials the time in which to take the necessary steps to curb the leftist-oriented University Federation—a student political, activist group. In reality, Onganía wanted time to promulgate a new organic structure for the governing of the national universities, a structure which would eliminate student influence in university administrative decision-making and, thereby, end the national universities' autonomy.

With the closing of the universities came the inevitable student demonstrations, particularly large at the University of Córdoba and the University of Buenos Aires. In carrying university repression to the limit, Onganía ordered the violation of the autonomy of the national universities. Troops entered the University of Buenos Aires during one demonstration at that closed institution and arrested hundreds of students and professors. This attack on the demonstrators

* Editor's note: On August 25, 1967, Onganía signed into law a sweeping 28-article anti-Communist measure. The penalties against a Communist are severe, including loss of employment and loss of civil rights.

revealed the administration's ultimate aim.

The reaction of the intellectual elite within the universities was rapid, dramatized by the resignation not only of professors but five rectors as well. Among the rectors resigning were those of the University of Córdoba and the University of Buenos Aires. Foreign academic communities proved sympathetic to the cause of academic freedom. In the United States, the Latin American Studies Association served informally as a clearing-house for university positions for Argentine professors who had resigned in protest.

Onganía lost little time. He extended empty reassurances on academic freedom and the autonomy of the national universities. Rectors of his own choosing were selected. Dr. Ernest Gavier was to be the new rector of the University of Córdoba and an equally pro-military, anti-Peronist and anti-Communist, Luis Botet, was named rector of the University of Buenos Aires. Botet agreed to the dissolution of the University Federation at the University of Buenos Aires as a prerequisite to the University's reopening. Onganía wisely permitted the national universities several months of operation with their new rectors in the environment of intellectual repression before officially ending the national universities' autonomy. His new law for these academic institutions was not issued until April, 1967, eight months after his initial attack on the centers of intellectual opposition.

Onganía's nondemocratic administration also moved against labor in an effort to extend its control. The Port Workers Union went on strike in November, 1966. The administration's pretext in this case was that the weak Argentine economy could not easily afford this interruption to the movement of both imports and exports through Argentine ports. Eustaquio Tolosa, the Union's secretary general, was ordered arrested, although he was not in Argentina at the time. Tolosa returned to Argentina in December and his arrest was completed at a Union demonstration which the government had prohibited. Tolosa's leftist orientation did nothing to improve his image with the regime.

Nevertheless, the government-labor relationship is never an easy one to evaluate. In the first place, the unions exist legally only with the recognition of the government. Second, the government must participate in all collective bargaining. This not only gives the government practical influence over unions, but also unavoidably gives the unions a political role. While one would assume this political role to be pro-government, the largest portion of the unionized labor movement, the *Confederación General de Trabajadores*, is anti-Onganía. However, while anti-government, the G.G.T. is not solidly pro-Perón. Perón's protracted exile has created a power vacuum which various individuals have attempted to fill. Augusto Vandor, of the Metallurgical Workers Union, has competed against those who, like José Alonso, have attempted to retain the loyalty of the Confederación for Perón. The division within the labor movement increases the government's ability to manipulate labor to give the appearance of stability and support for the regime.

Few sectors have been exempted from governmental interference. An important exception is the Catholic Church. Onganía remembers, perhaps, that Perón's demise was, in fact, precipitated by the breakdown in his relations with Argentina's Catholic hierarchy.

While the church, thus far, enjoys a privileged position, the military establishment itself does not. Onganía has insisted on absolute loyalty from the military and evidently is unwilling to permit even freedom of expression of statements against administration policy. Potentially disloyal elements in the military are closely watched. Major threats bring quick and harsh reactions. Onganía has, in fact, already dealt with a test case. When the army's chief commander, Lieutenant General Pascual Pistarini, disagreed with Onganía on relatively minor administrative policy matters, Onganía accepted Pistarini's resignation, and replaced him with the somewhat more conservative Major General Julio Alsogaray, brother of Alvaro Alsogaray, the Argentine ambassador to the United States.

Naturally, in addition to political unrest,

the Onganía regime inherited the economic problems which Illía had faced, including those of a monetary and fiscal nature and problems of low rates of investment and poor gross and per capita productivity performance. Not all of these were primarily the creation of Illía's economic policies. Productivity increases in the aggregate have been low since World War II, as have been the investment rate and the availability of savings. Large increases in the money supply, increases in the cost of living, and the related inflationary situation have been normal in postwar Argentina. To complete this picture, Argentina's international sector has performed as weakly as its domestic sectors, with related deficits in the balance of payments, loss of exchange reserves, and pressures against the *peso*.

It is doubtful that Argentines assumed that the military were capable technically and politically of correcting these conditions within a short period of time. The Argentine is naturally skeptical of his government, civilian or military (Perón was a possible exception) and would doubt the possibility of a dramatic improvement even over a longer period of time. It may even be true that the military itself had only limited hope of being able to achieve impressive results over a period of two or three years. Certainly, Onganía's record shows that the multiplicity of economic problems has proved almost insurmountable.

The international situation—the trade deficit, loss of reserves, and pressures on the exchange rate—was one area in which the administration was successful with respect to emergency, short-run measures. Onganía faced an external debt of over \$2 billion, with slightly less than one-third of it, \$600 million, due almost immediately. This was going to require refinancing in the international money market at a time when Argentina's political and economic prestige was low. For purposes of international finance, political and financial stability appears to be much more important than a country's natural resource base and a projected potential performance dependent upon a large number of

assumptions. This particular problem had little hope of solution as long as the United States withheld diplomatic recognition. The Onganía regime went unrecognized by the United States, however, only from its inception, June 28, 1966, to July 15, 1966. By comparison, the United States delayed a month in recognizing the military junta which had overthrown the government of Manuel Prado in Peru, in July, 1962.

In a situation of this type, Argentina was going to have to be as dependent upon semi-public sources of international credit (e.g., the International Monetary Fund) as upon private sources. To avail herself of public sources and particularly the Fund, Argentina would have to implement an austerity program, including controls on credit and the money supply, restrictions on wages (repression of labor unions and their requests for increases), a reorganization of the public sector, and a reduction of the deficit in the government's budget. This would mean pursuing the course of monetary stability, whatever the basic structural problems, to satisfy the loan criteria of international creditors.

The course was to prove difficult, if not impossible to follow. Those policies appropriate for achieving it are economically restrictive and frequently (although not necessarily) lead to contractions in economic activity, with a reduction in employment. Even with a split in the *Confederación General de Trabajadores*, Onganía could anticipate labor's resistance to such a program. Furthermore, with continuing inflation, labor almost immediately demanded of Onganía that he decree wage increases of up to 30 per cent or more, although the government had announced a 25 per cent guideline for wage increases.

In August, 1966, in an effort to increase government revenues and reduce the deficit, Onganía raised export taxes, including a five per cent tax on wool exports, an export which had not formerly been taxed. The government actually effected an increase in the cost of living by authorizing a more than 30 per cent increase in the rates for electricity. At the same time, labor was reassured by the

minister of economy, Jorge Nestor Salimei, that the earlier announced guideline of 25 per cent for wage increases was nothing more than a guideline, and that requests for increases up to 35 per cent would receive sympathetic attention. Since export taxes raised the cost of Argentina's exports, making them less competitive, and since Argentina's exchange reserve position was not improving, the *peso* was devalued by six per cent, from about 205 to the dollar to approximately 218 to the dollar.

The real effect of this is difficult to compute; furthermore, it was not to be the only devaluation of Onganía's first year. Export taxes, although imposed for revenue purposes, serve that objective only if the foreign demand is fairly inelastic or if the supply is relatively elastic. Because of other competitive sources in international markets, it is likely that neither of these conditions was met. This would suggest that the taxes failed to produce much revenue, and that even in doing so they detracted from the total exports, thereby further jeopardizing Argentina's exchange reserve earnings position. The six per cent devaluation tended, not to leave the situation unchanged—that is, as it was prior to the export tax—but to increase the real cost of imports. Naturally, this contributed to further living cost increases.

The relationship between the rate of exchange, import prices, and the cost of living is, apparently, one which labor in Argentina understands. Labor, in general, took a vocal position on devaluation and price increases.

Subsequently, to gain time with which to resolve Argentina's international financial problems, Onganía attempted to assuage labor dissidence by pledging price controls to prevent further, unwarranted increases in the cost of living; for some unions, he decreed wage increases of more than 35 per cent. There was the traditional reassurance that the regime would reorganize public enterprises, particularly the railroads, to reduce their drain on public revenues. However, it proved impossible to correct significantly the railroads' economic problems.

From August to November, 1966, the government managed to divest itself of two operations, an alcohol distillery in San Nicolás and a meat packing plant in Bahía Blanca, both of which were relatively easy to operate profitably. The international position continued to deteriorate—the deficit in the balance of payments, the loss of exchange reserves, and delays in renegotiating the foreign debt. Since the initial six per cent devaluation of August had proved inconsequential, a further devaluation was undertaken, presumably with the permission and the urging of the International Monetary Fund. This time, the rate moved from about 218 to the dollar to a pegged 270 to the dollar, or a 23 per cent devaluation.

Onganía's important repressive acts have already been reviewed. Although these are *prima facie* evidence that the regime was unpopular, and although they could not possibly suggest a movement toward constitutionality and democratic procedures, they did indicate strength and the fact that political stability was to be achieved at virtually any cost to civil liberties. Hope for any short-run return to constitutional processes was completely obliterated in the latter part of November, 1966, when the government dissolved the electoral courts and seized the assets of all political parties. (These parties had previously been disbanded by decree law on June 29, the day after the coup.) With this move, Onganía has managed to serve his strong anti-Peronism, although moving against all parties gives an appearance of impartiality. The Peronist *Unión Popular* party is not the oldest, but is certainly the best organized and most disciplined. Moreover, Onganía was managing to demonstrate his political strength although he was unable to show economic improvements to the potential international creditors.

Pending the refinancing of the international debt, monetary and financial problems continued to be acute. During the first year of the regime, the cost of living index (1958 = 100) rose from 985 to 1,220, an increase of 23 per cent.⁵ For the same period, the money supply rose from 655.83 billions of

⁵ *Ibid.*

pesos to 848.00 billions of *pesos*, an increase of 29 per cent. There was no improvement in the foreign asset position of the Central Bank until March, 1967, and the foreign reserve position of the commercial banks was deteriorating. From the second quarter of 1966 through the first quarter of 1967, the commercial banks lost 55.91 billions of *pesos*. This situation led Onganía and those responsible for Argentina's monetary policy to an additional, third devaluation in March, 1967. This time the *peso*/dollar rate was increased from 270 to the dollar to 350 to the dollar, a devaluation of 29 per cent.

Once this had been achieved, the regime was able to complete its negotiations for refinancing the external debt. Favorable responses were given to Argentina in March, 1967, after the devaluation. Arrangements were completed in April and made public at the beginning of May. However, instead of a hoped for \$600 million, Argentina managed to borrow only \$400 million. Participants in this included not only the fund, but foreign private banks, United States commercial banks, and the United States Treasury. Finalization of these dealings coincided with several other austerity measures, including a strong public position on maximum wage increases of 25 per cent for contracts expiring between April, 1967, and the end of 1968, and a settlement of the financial claims of British and French citizens whose investments had been expropriated. One cannot help but wonder if the policy on wage increase is, in fact, an announcement by Onganía that he intends to be in control at least until the end of 1968 to assure that the policy be carried to fruition. The next year will be interesting because Onganía has managed to obtain temporary relief from his international financial problems, but continues with the full complement of his internal ones.

While Onganía is confronted with monetary and financial problems not of his creation, he is also faced with inherited structural problems, more important to resolve than the monetary ones and, at the same time, more difficult. Furthermore, it matters little that they are not Onganía's creation. He must

make an effort to correct them, but because of their basically structural nature, they cannot be handled with the customary monetary and fiscal tools.

Low levels of productivity, low investment rates, and a willingness to make profits on price level changes in preference to technological advance and investment opportunities afforded by technological advance are three outstanding structural problems. The first two are fundamentally economic; the third is primarily sociological. All three, nonetheless, are insignificant in comparison with a fourth problem, also of a sociological nature: the societal structure of Argentina. In 1967, the structure of Argentine society is inalterably different from the structure in 1937. In 1967, the labor force is not only large, but has a laboring-class, not a middle-class, mentality.

URBANIZATION

The rate of urbanization, particularly the growth rate for Buenos Aires, increased greatly after 1937. The former farmers, the *campesinos*, had to find or make a place for themselves in the growing urban industrial sector. With few skills and poor education, their adaptation to urban patterns was not rapid. War in Europe closed Argentina's traditional markets, forcing a relocation of her export markets. Imports were difficult to obtain because of limited supplies and the limited availability of shipping. Domestic industries grew, replacing imports.

Unintentionally, but unavoidably, Argentina began to undergo a period of import substitution industrialization. Urban industrial centers like Buenos Aires, Rosario and San Nicolás became even more attractive to the rural labor force as employment opportunities expanded and as industrial wages rose. This gave additional impetus to the rate of urbanization and to the growth of the industrial labor force.

Since their skills and educational level were low, these workers only slowly adapted socially and politically to customary urban patterns. In consequence, for the early years of this migration, the growing industrial proletariat did not develop any unique class con-

sciousness nor did the group become a strong social-political force. The adaptation process was interrupted, or reinforced, by Perón after he had come to power in 1945. He organized the industrial labor force into a union, the *Confederación General de Trabajadores* and, in the ten years of his regime, the industrial workers, through the C.G.T., became a political force and evolved a laboring-class consciousness.

Onganía's repressive moves against labor and political parties, an effort to destroy Peronism, represent at the same time, and more fundamentally, an effort to deny the existence of a labor class as a separate social and political phenomenon. This is a goal which Onganía cannot achieve even with the fragmentation of the union movement into pro and anti-Perón groups, at least as long as the members of the various groups think of themselves as laboring-class rather than middle-class people. Onganía's continued efforts, therefore, will only result in perpetuating political and economy instability in Argentina.

Independent of the efforts of the administration, Argentina's middle class is likewise contributing to instability. The same industrialization process which gave rise to a large, urban, industrial labor force also stimulated the growth of the middle class, Argentina's "white collar" labor force. Like all citizens, the new members of the middle class have an obligation to participate in the political processes. These new members of the growing middle class should also feel a need to increase societal vertical mobility politically and socially and to broaden the social welfare orientation of all of society. Nevertheless, as a group, Argentina's middle class has been ineffective in both these objectives either because basically it is politically reactionary or because more conservative elites, including the military, are not willing to permit social change. This inability or unwillingness of the middle class also contributes to Argentina's internal instability.

At the end of Onganía's first year, what is the prognosis? Did Onganía really initiate a revolution? His coup was a revolt against

legitimacy. However, in terms of a revolt against the societal structure, the intervention was only a coup, not a revolution. Argentina's revolution was already in process prior to Onganía, prior to Guido, prior to Aramburu, and, for that matter, prior to Perón, although Perón gave the revolution an undeniable stimulus and an inalterable direction.

Since the increase in industrialization and urbanization, society's values and attitudes have been disarrayed. With the inevitable struggle between the conservative and the revolutionary forces, a new viable value system has not evolved. It is not that Argentina is without values but that with the clash of forces, a dominant, functional value system has not yet taken form.

Changing relationships lead to frequent military usurpations of political power, which detract from the forward momentum of Argentina's growth process. In the case of Onganía's coup, this disrupted political processes without resolving the state of societal flux caused by the evolution of a new value system appropriate to sustained economic growth. Tensions have not been reduced. Structural disequilibrium continues and with it political and economic instability. If and when Onganía arranges for a presidential election (and it is not expected before late 1968), the ability of a new regime to achieve relatively stable conditions will continue to depend on its ability to compromise the conservative and radical extremes and to evolve a value system which will support Argentina's developmental process.

Alvin Cohen was a Fulbright Scholar at the University of Chile in 1957-1958, and a Visiting Fulbright Professor at San Marcos University in Peru in 1961-1962. He is the author of a monograph on Chilean development, published in the Latin American monograph series of the University of Florida, and of a number of articles in professional journals, including "The Technology/Elite Approach to the Developmental Process: Peruvian Case Study," which appeared in the Spring, 1966, issue of *Economic Development and Cultural Change*.

Exploring the success of the Castelo Branco government, this author notes that "The political system it inherited was based on the incongruous policy of maintaining the traditional political power base . . . while successively incorporating newer forces. . . ."

Brazil's Dilemma

BY RICHARD GRAHAM

Assistant Professor of Latin American History, Cornell University

THE LARGEST COUNTRY in Latin America has worked itself into a corner. With well over 80 million people, with half the area of South America, great—though sometimes exaggerated—resources, and a record of significant achievements in economic development, Brazil has reached a fork in the road where each alternative path offers rough terrain and fearful drawbacks.

For more than a century, Brazil's political system has successively admitted new groups into the ruling elite. But the groups that have so far been admitted are now finding that their interests are contradictory rather than complementary. Furthermore, the economic and social development of the past has encouraged a desire for still further expansion of the decision-making stratum, perhaps to include the mass of the population itself. Either old groups must be eliminated from power or new groups must be kept in abeyance. This is the challenge that faces the present government; its choices will be decisive for Brazil's future.

Slave-owning planters of the northeastern sugar coast virtually ran Brazilian affairs as they pleased from the beginnings of Portuguese settlement until about a century ago. But during the last half of the nineteenth century, two forces arose to challenge their power: a new breed of planter and new urban groups. Coffee began to replace sugar as Brazil's major crop, and it was planted along a new frontier (in São Paulo and

southern Minas Gerais) which moved westward with the spread of railways. The landed entrepreneurs responsible for coffee's rapid spread had relatively little in common with the old sugar planters. Instead of a seigniorial life-style and a paternalistic attitude inherited from generations of contact between master and slave, these new men were interested only in profits. They supported the abolition of slavery (which they considered uneconomic); they encourage immigration to replace the slaves; they invested in railroads; and—alongside European immigrants—they later created Brazil's major industrial complex.

The burgeoning coffee market also created a larger and more self-conscious urban class. Engineers, bureaucrats and members of the traditional professions of law and medicine joined eager, ambitious military officers to demand changes in fixed social relationships, static economic patterns and antiquated political institutions. The end of the Brazilian empire (1889) and the establishment of a republic with a constitution modeled on that of the United States marked the culmination of their effort, alongside coffee planters, to create a more modern nation.

Disillusionment soon followed. A three-way struggle ensued between the urban groups (whose most forceful and cohesive representatives were the military officers), the coffee planters and the traditional oligarchy of the older agrarian regions. During the first five

years of this "First Republic," the military held complete control. But beset by internal divisions and facing a major regionalist revolt in the far-southern state of Rio Grande do Sul, the military were forced to surrender power to the coffee planters, who had created a sizable militia by recruiting their own workers and arming them with equipment purchased with fantastic coffee profits. From 1894 to 1930, the coffee planters ran the country with the collaboration of the old northeast and the state of Rio Grande do Sul. The support of the landed classes in these two regions was purchased by allowing the rise of virtual warlords there who ruled unchecked over their own domains.

THE MILITARY AND THE REVOLUTION

But the urban groups could not be dismissed so easily. Even during the 1890's, inflation and the consequent threat of proletarianization were driving the petty shopkeepers and bureaucrats of the cities to nearly insane manifestations of xenophobic nationalism. And the military officers continued to have more affinity for these middle classes in the cities than for the landed bossism of the interior. For many years, the military tried in vain to destroy the power of the backland lords but the threatened landowners mobilized their workers and dependents and withstood the city-slicker soldiers. The military, undaunted, continued to search for a means of destroying the antiquated political system and installing a modernizing, urban-oriented, nationalistic government. These officers supported the revolution of 1930 which installed Getúlio Vargas.

Although the rise of Vargas has sometimes been attributed principally to urban demands for a nationalistic and developmental government, it seems more realistic to think of Vargas as reconciling in one program the demands of urban and rural interests. Acting sometimes as dictator (1930-1934, 1937-1945) and sometimes as constitutional president (1934-1937, 1950-1954) Vargas began by reducing but not eliminating the power of the northeastern bosses, stripping them of armed force and ending the states' rights that

had shielded them. But he allowed them, in effect, to maintain their local control.

Then he bought off the coffee planters through an ambitious price-support program launched in the face of a world-wide depression and dwindling government revenues. This action amounted to pump-priming on a massive scale, perhaps far more massive, proportionately, than any program tried elsewhere at that time. Thus the planters were happy, for the price of their coffee fell by less than one-third while the world price for Brazilian coffee plummeted by two-thirds. Vargas also satisfied the increasingly numerous urban manufacturers because they now controlled an expanding market for their goods at the very time when imported items became prohibitively expensive because of a falling exchange rate. Their factories began operating at full capacity and industrial output went up 50 per cent between 1929 and 1937.

Finally, Vargas injected a new element: the urban workers. Employment opportunities increased and urban salaries rose. Extensive social welfare legislation was enacted and, although vast sectors of the working population were not covered and although much of the legislation was not applied, the worker felt more secure. That Vargas' attitude was basically paternalistic and that it aimed to keep the workers happy so they would not upset the alliance between industrialists and landholders was irrelevant.

During his administration (1955-1960), Juscelino Kubitschek managed to continue the spectacular juggling act. Under his leadership, Brazil's industrial complex was greatly expanded. Vargas had laid the basis for expansion with his United States-financed, government-owned steel plant. Later privately-owned mills had been built. Overnight, Kubitschek created an automobile industry. Today 60 per cent of Brazilian vehicles are Brazilian-made from Brazilian steel with hardly a single imported part. The average real growth of the gross national product during the period 1955-1961 was 6.1 per cent.

But all was not well. The inflationary

policies which had accompanied much economic growth created special problems for the urban lower middle class. The rich were not so endangered because they had both the resources and the skills to cope with inflation; in fact, many fortunes were multiplied many times over. But the position of the majority of urban residents was threatened.

ECONOMIC "REFORMS"

In the countryside there were also problems. The landed gentry had become more diversified and therefore less easily satisfied and the position of all landowners had become more precarious as a result of increasing demands for social justice. In 1960, three per cent of the farms in Brazil accounted for 53 per cent of the land, and the landowners were quick to perceive the danger of broadening peasant political self-consciousness. While health and sanitation measures increased the pressure on the land, better communications with the cities made the plight of those who remained in the countryside increasingly evident.

Kubitschek persistently avoided thoroughgoing reforms. He ignored the problem of rural labor; ignored the problem of agricultural development which would have meant land reform and other changes in the status quo; and generally ignored the need for basic structural changes. Instead, he bought off the urban workers by granting wage rises; bought off the industrialists by granting government credit; and bought off the rural discontented by offering them jobs in the construction of the expensive new capital city of Brasília.

These contradictions contributed to the plight both of Kubitschek's successor, Jânio Quadros, who resigned the presidency after eight months, and of Vice President João Goulart who succeeded him in 1961. A labor minister under Vargas and a tool of the ex-President in his effort to marshal the support

of the unions, Goulart was distrusted by the military and feared by conservatives. He was installed only at the price of giving up actual power under a hastily-established parliamentary system and was not recognized as the "real" President until January, 1963, after a national plebiscite. His efforts to weld together such disparate elements as landed oligarchs and urban workers were dismal failures and he succeeded only in discrediting every cause he espoused. Economic growth slowed drastically, while prices soared more wildly than ever. Goulart's inexperienced efforts to control inflation required sacrifices from laborers which they were truculently unwilling to make; his effort to compensate the left by instituting land reform met with the unalterable opposition of the right.

He returned finally to the arms of labor and became stridently radical during the last months of his regime. Then, hoping to build on the force of enlisted men and non-commissioned officers as Vargas before him had used the "lieutenants," he provided the officers with the excuse they had been awaiting. He was overthrown by a military coup on the night of March 31, 1964.¹

ISSUE OF NATIONAL SECURITY

Of the several groups which acted without much coordination and managed to bring off this coup d'état, one of the most important was the group of army officers connected with the Superior War College. Since 1949, this center for the army's intellectual elite had been examining national problems. Ironically, some of Brazil's most progressive minds, anxious to "educate" the officers, had assisted in this enterprise. The general conclusion of the military, based on geo-political considerations, was that national security is the goal of all national policy; that economic development and social reform help insure national security and must, therefore, be advanced; but that the means must not confuse the ends. In fact, they believed that national security would be seriously jeopardized by any step which removed Brazil from the protective umbrella of the United States or opened the

¹ For a detailed survey of Brazilian history since 1889 see José Maria Bello, *A History of Modern Brazil, 1889-1964* (Stanford: Stanford University Press, 1966); for a more interpretive study see Thomas Skidmore, *Politics in Brazil, 1930-1964* (New York: Oxford University Press, 1967).

way for internal subversion. General Golbery do Couto e Silva was one of the chief sources of this ideology and Goulart's every move seemed to defy his beliefs.

The war college graduates, acting both behind the scenes and in the public eye, became the principal heirs of power after 1964. Humberto de Alencar Castelo Branco, President from 1964 to 1967, had once been director of the war college. With a keen sense of political advantage and little regard for public opinion, he forced through the policies he favored. He gave a free hand to planners like Roberto de Oliveira Campos, a United States-trained economist closely allied to foreign business interests, who promised financial stability. But Castelo Branco was soon challenged by a new group within the military. A "hard-line" group of middle-ranking officers, including several colonels, less impressed by the high-sounding policies of the war college and more closely tied to the irritable and frustrated lower middle class, began to demand harsher and more repressive policies, if necessary under an outright dictatorship. The struggles between these two groups of the military have provided the leitmotiv of the past three years.

CASTELO BRANCO'S REGIME

The three and a half years since the coup d'état may be divided into three distinct periods. The first lasted for 19 months until October, 1965; the second ended in March, 1967; and the third is still in progress. During the first period, the new regime placed primary emphasis on formulas that would enable it to work its will without throwing out the existing constitution. Its philosophy was revealed by the *pronunciamento* issued during the first days after the coup—"The victorious Revolution, as the Constitutional Power, is legitimized by its own nature."² The manifesto went on to assert that the constitution of 1946 would remain in effect except for certain alterations. Thus Castelo Branco, elected President by a

purged congress, would rule more or less within the old framework.

But the alterations in the framework were significant. The role of congress was sharply curtailed and the power of the President to push through legislation, intervene in the states and suspend civil rights was greatly extended. For a specified period the executive would have the power to annul the mandates of elected officials—a power that was exercised against many state and local officials and against approximately 50 congressmen. Some 400 persons lost their "political rights," that is, their right to run for office, vote or express political opinions. Included among these were ex-Presidents Juscelino Kubitschek and Jânio Quadros as well as noted economist Celso Furtado.

Military officers were appointed to oversee labor unions, publically-owned industries, and government departments of all sorts. Approximately 10,000 office-holders were fired on vague charges ranging from subversion to corruption. Military courts were set up to try cases of subversion and corruption; no judicial procedures were observed, especially not the right to confront one's accusers, to present a defense, or have aid of counsel. Some of these courts summoned prominent and distinguished individuals and created a furor; at the same time, unnoticed, hundreds more, commanded by captains or lieutenants, roamed the countryside striking fear into county and town officials and encouraging informers with secret grudges. Of course, all these measures could perhaps be overlooked as the natural concomitant of a coup d'état carried out against the tense background of the Goulart regime.

Having cleared the air, the government set to work to establish more subtle controls, impelled by the Brazilian tradition according to which the military intervenes only to protect the constitution. In July, 1965, elaborate modifications in the electoral laws were announced in preparation for the October gubernatorial elections in several states. Efforts were made to increase party discipline, insure the choice of majority candidates, reduce the "economic power" of vested

² Brazil, *Ministerio das Relações Exteriores, Embaixada do Brasil*, Washington, D.C., *Boletim informativo*, No. 69, April 10, 1964.

interests by such measures as government preparation of ballots, and strengthen the power of the electoral courts. In addition, elaborate devices were adopted to insure that only "safe" candidates would run. For instance, a long list of previous activities would suffice to disqualify many candidates.

Yet despite all these efforts, the results were not satisfactory to the regime. In the populous and powerful states of Guanabara and Minas Gerais, candidates who were closely identified with Juscelino Kubitschek won hands down. The intransigent "hard line" officers were furious. Talk was heard of another coup. Apparently it was averted only by the effective mediation of Marshal of the Army Artur da Costa e Silva.

PRESIDENTIAL POWERS

In exchange for the acquiescence of the younger officers in the installation of the newly-elected governors, the rules of the political game were entirely revamped. The President was once again given sweeping powers to strip political rights, to dismiss from elected office, to impose a state of siege and to suspend constitutional rights. The supreme court was packed. The government disbanded all existing parties and replaced them with an official party and a very loyal opposition. It also announced a new electoral schedule to insure the election by congress of a preselected President of the republic. Additional members of the legislative body were removed from their seats and, when some congressmen objected, congress was entirely suspended for a month preceding the election. Not surprisingly, the opposition proposed no candidate and Costa e Silva was able to cash in on his timely efforts as a go-between for Castelo Branco and the "hard liners": congress elected him President on October 3, 1966.

Finally, in mid-December, the "lame-duck" outgoing congress was handed a new constitution for approval within 40 days. Its terms incorporate the measures of the "revolution": a strengthened executive, increased

power to the central government to intervene in the states, jurisdiction of military courts over civilians charged with "crimes against national security," and restrictions on other individual rights. On March 15, 1967, the new President and congress were installed.

Since that date the new administration has been cautiously finding its way. Costa e Silva began his rule by saying he wished to "humanize the revolution." His inauguration was hailed with hope by some and with skepticism by others. Kubitschek returned from his voluntary exile abroad, and was then submitted to the demeaning procedures of a military tribunal. Many had hoped that a general amnesty would be declared for all those who had lost their political rights, but no such measure has been taken. In late July, 1967, a newspaper editor was summarily shipped to an Atlantic island prison for tastelessly welcoming (in print) the airplane crash which killed Castelo Branco.

STUDENT PROTEST

Meanwhile, student unrest against the repressive measures of the revolutionary government has continued. A law which attempts to reduce student organizations to captive organs of the government has not yet been successfully enforced. Although banned, the National Union of Students, whose directorate in 1964 was controlled by an alliance of Communists and Catholic Action Students, held a national convention only partially in secret during August, 1967.³ In revenge, students have allegedly been imprisoned, beaten and otherwise abused by the regime.

The government has also decreed a new university structure. Drawn up with the help of an AID-financed group of United States professors, the plan calls for full-time students, full-time teachers, the loosening up of faculty recruitment by ending life-tenure sinecures, the collection of tuition fees, and other changes, some useful but all controversial. Brazilian students argued that although reform was needed it should have been carried out by Brazilians in the light of Brazilian needs and not with a view to the "Americanization" of Brazilian higher educa-

³ *Correio da Manhã*, Rio de Janeiro, August 10, 1967.

tion; that if foreign aid were needed it could as well have come from France; and that the reforms were imposed without warning and in a series of disjunctive steps which utterly disrupted academic life, especially for students who hold down full-time jobs, as is characteristic. Their protest has gone unheeded.⁴

The regime will probably be judged in the end by its success in stimulating healthy economic development. In this regard, it is still too early to draw up a convincing balance-sheet. The curtailment of inflation was one of the major goals announced by the revolutionary government in 1964. To this end, an elaborate and rationally conceived program was launched under the direction of economist Oliveira Campos. He and those he advised restricted credit, slashed the budget, slowed the expansion of currency through the creation of a central bank, and encouraged exports.

Because of these and similar measures the rise in the cost of living—which had climbed between 20 per cent and 50 per cent yearly under Kubitschek and which had soared to a 70 per cent increase in 1963—was slowed, but not stopped. In 1965, the rise was kept to 45.4 per cent; and in 1966, 41 per cent. However, this was a long way from the announced goal of the regime, that is, to keep the rise at 25 per cent in 1965 and 10 per cent in 1966. During July, 1967, the cost of living went up another 2.3 per cent.⁵

Although the reduction of inflation has been significant, the question remains as to how long the austerity program can continue. The plight of the working man and the salaried employee is becoming desperate. Perhaps the government will soon move to loosen controls; some observers claim that next years' budget is vastly unbalanced although overestimates of receipts have hidden this fact.⁶

⁴ *Folha de São Paulo*, April 23, 1967.

⁵ *Visão*, São Paulo, August 18, 1967, p. 36.

⁶ *Visão*, August 25, 1967, p. 41.

⁷ *Revista brasileira de economia*, Rio de Janeiro, March, 1966, p. 72.

⁸ *Latin America, 1967: the Annual Review of Latin American Business and Development* (New York: Vision, Inc., 1967) p. 99.

Growth is the final test of an austerity regime. If Brazil resumes the pace of its earlier industrialization, then the sacrifice will probably be considered worthwhile. The *Fundação Getúlio Vargas*, a paragonovernmental research institute, has published the following table:

Percentage of Growth in GNP.⁷

1961	7.3
1962	5.4
1963	1.6
1964	3.1
1965	4.7

Figures for 1966 are still not available from this source, but have been reported as 5 per cent.⁸ It should be remembered that as the population grows at the rate of more than 3 per cent a year, only really spectacular national growth rates can be satisfactory.

The austerity program was naturally accompanied by numerous bankruptcies. The restriction of government credit has perhaps been of most help to foreign investors who could draw on exterior resources to buy up Brazilian firms in trouble. Nevertheless, the business community has not become disaffected.

THREE REFORM PROGRAMS

Three measures with social implications have been launched by the revolutionary government: tax reform, land reform, and housing programs. Tax reform, although designed primarily to increase revenues, has obvious implications for the social structure since the income tax, when actually collected, is mildly progressive. In an effort to increase consumption, the administration has lessened the incidence of this tax. It now begins at 3 per cent on taxable annual incomes over \$1,816 and reaches a maximum of 12 per cent on incomes over \$13,440.

The housing program has a private enterprise and a public housing aspect. The former takes the form of releasing rent controls to stimulate building. Its effects are long-range; in the short run, rents in Brazil's major cities have become staggering. The public housing program is based on new financing

devices designed to keep up with any future inflationary tendencies. In mid-1967 grandiose plans for urban renewal in downtown Rio de Janeiro were announced as part of a crash program. But critics feel that, unless the tide of migrants from the interior is somewhat stemmed, housing programs will do little to ameliorate conditions and may even serve to attract more rural workers to the cities. The answer, they say, lies in the improvement of rural conditions.

Land reform has been one of the key issues in Brazilian political life for almost a decade. The government announced a new land law in late 1964 which called for progressively high taxation on unused or underutilized land. Aside from authorizing emergency measures in crisis areas, the measure was designed to solve land problems in the long run. It called first of all for a cadastral survey, which was carried out in late 1965 and early 1966. All landowners were summoned to central offices to register and describe their properties.

It is illusory, however, to think this data was accurate or that a genuine alteration of land-tenure patterns will follow. First of all, thousands of titles will overlap. The tax is to vary according to complicated corrective factors—accessibility to markets, soil capability, social conditions and so on—and these provisions will provide loopholes by which the landowner can take token measures to classify his land as “highly utilized.” The mere thought of a governmental machinery designed to verify the statements of the owners regarding crop use or conditions of workers’ housing is enough to make knowledgeable and sophisticated Brazilians smile. So far there has been no outcry from the land-owning class; this is a safe indication that the plan is not affecting them adversely. As for emergency measures, instead of being instituted at once as a token of good faith, they were long delayed. The orientation of the government toward stability at all costs is not

calculated to develop that mystique often considered essential to national development and modernization.⁹

Since 1964, the government has had to make some difficult decisions. The political system that it inherited was based on the incongruous policy of maintaining the traditional political power base—rural oligarchs—while successively incorporating newer forces—progressive coffee planters, industrialists, urban workers and the lower middle classes of the cities. Goulart’s last moments had been spent in trying to add rural workers and students to the power base while increasing the power of urban workers and beginning to eliminate the power of rural oligarchs.

WHAT OF THE FUTURE?

Which groups would the new regime support? The revolutionary government has done very little to alienate the rural oligarchs, who apparently feel a new security despite the land reform law; it has appealed to the major industrialists, especially foreign ones, who believe in an end to inflation and the growth of the free-enterprise system; it has done little for the rural workers; it has crushed the power of urban workers; but it has satisfied the lower middle classes by harsh steps against “communism and corruption”; and has failed only in its attempts to dominate the students. Its power seems secure.

The prospects for the future are that, in the short run, no major new crises will overtake Brazil. The armed might of the government combined with the fractionalized nature of the opposition will insure continued control for some time to come. At medium range, the outlook depends on economic performance. If growth is resumed with relatively little inflation then social discontent

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Richard Graham lived in Brazil for many years and has written several articles on that country’s nineteenth century history. He is the author of the forthcoming book, *Britain and the Onset of Modernization of Brazil, 1850–1918* (New York: Cambridge University Press).

⁹ On the record of the revolutionary government, see the report by James V. Rowe in the American Universities Field Staff, *Reports, East Coast of South America Series*, Vols. XI–XIII (New York: American Universities Field Staff, 1964–1967).

As this correspondent evaluates the Dominican situation, "the island nation is still a country of major uncertainties." "... despite the generally accepted good start on economic recovery made by Balaguer, he is still not over the hump."

Balaguer's Dominican Republic

By JAMES NELSON GOODSELL

Latin America Editor, The Christian Science Monitor

WHEN JOAQUÍN BALAGUER became an avowed candidate for the Dominican presidency in the early months of 1966, few, if any, observers thought he had much chance of defeating the favored Juan Bosch. But Balaguer did just that—and in the year and a half since, he has given Dominican watchers a number of other surprises. With a high degree of patience and firmness, he has worked quietly to return the troubled island to a semblance of stability aimed at setting the stage for economic development and social improvements long called vital to any solution of the "Dominican problem." His first year in office was an uneasy one. Yet the ascetic-looking Balaguer displayed surprising talents as an administrator and an aptitude for political maneuver. Both are necessary qualities in the chaotic Dominican situation.

There is indeed a mood of guarded optimism in the Dominican Republic as Balaguer goes into his second year. That he has been able to remain in office is, in itself, an accomplishment. The pressures from both the right and the left have been immense. In March, 1967, Balaguer told this correspondent that "to ride out the waves of political agitation has been the key goal of the first months in office."¹ Yet the existence of a legally-elected president does not solve the

problems of the island nation. The roots of its dark past still live. And they threaten to strangle what is still only a promise of social, economic and political progress.

The Dominican Republic is a nation very much burdened with its unhappy past—including the 30 years of Trujillo dictatorship, the ineffective interregnum years, the few months of democratic promise under Juan Bosch, and the violent civil war of 1965. Balaguer seems to recognize this. In a speech to the Dominican congress in the spring of 1967, he said:

Politically, the principal objective of the government has been to improve the climate of national coexistence and to diminish tensions created by party antagonism, by the hatred stemming from the civil war, and by rivalry among the different parties.²

How successful has the government been in carrying out this objective? Again Balaguer:

We cannot boast of having completely accomplished our purpose, because there are forces among us which continue in their old ways, groups which are not as ready to talk and to take part in democratic activities as they are to conspire and to commit brazen acts.³

Balaguer did not say so, but sources close to the President say he sees the army as the most dangerous threat to his administration. Strongly influenced by an officer corps that owes its present strength to the late dictator Rafael Leonidas Trujillo Molina, the army is unhappy with the moderately reform-minded Balaguer government. Rumors of possible coups have been current since Balaguer took

¹ *The Christian Science Monitor*, March 13, 1967.

² Official text, Balaguer speeches, February 27, 1967.

³ *Ibid.*

office on July 1, 1966. That there was some substance to the rumors was evidenced in the official denials of them in several presidential addresses in the fall of 1966 and again in the spring of 1967.⁴

Moreover, Balaguer has kept many Dominican officers abroad, refusing to revoke decisions taken by his predecessor, Héctor García Godoy, who served as provisional president from September, 1965, until July 1, 1966. Prominent among these exiles are General Elías Wessin y Wessin, a leader of the armed forces in the 1965 civil war, and Commodore Francisco Javier Rivera Caminero, a former armed forces secretary during part of the García Godoy government. Both General Wessin y Wessin and Commodore Rivera Caminero have a considerable following among former Trujillo officers and are well thought of in parts of Dominican society once allied with Trujillo.

At the same time, a number of lower-ranking officers from the army and air force, who took part in the 1965 civil war on the side of the Constitutionalist forces, are also abroad—either on diplomatic missions or training activities. President Balaguer has indicated that there is no early plan to return these officers to the regular Dominican army.

In considering the army threat, however, the Balaguer government is talking about the politically-minded military officers who look to General Wessin y Wessin and Commodore Rivera Caminero. There are a number of Dominican officers who watch and criticize every presidential move. Some are viewed as "hot heads or opportunists."⁵ Others are unhappy at the loss of privilege and riches resulting from the slowing down of the widespread corruption in the armed forces following the Trujillo assassination in 1961.

The present secretary of the armed forces is

General Enrique Pérez y Pérez, an officer who has shown little interest in politics—and is essentially a strong card in President Balaguer's effort to maintain a semblance of domestic stability. General Pérez y Pérez has worked with the President to move certain army personnel from one post to another in order to cut down the potential for agitation. In remarks to the press in August, 1967, he said that the army would quell any attempts within its ranks "or outside to topple the government."⁶

MIDDLE OF THE ROAD COURSE

President Balaguer and his government officials make it clear that they oppose both left and right, and that they will not tolerate agitation from either side. To many of those who support former President Bosch—a group which is clearly the largest political force in the country—this Balaguer approach is seen as unfair. The Boschistas, as they are called, are largely grouped together as moderate leftists. Still, sources close to the President say that he cannot single out the forces of the right—the officer corps and former Trujillistas—unless he adopts a middle-of-the-road course.

Balaguer has also been forced to make a number of other concessions to the military and to the old-line Trujillistas. At least half the police officials are remnants of Trujillo days. Balaguer has been slow to condemn the actions of police and military in a number of incidents in which former Constitutionalists of the 1965 civil war have been detained or roughed up by the men in uniform. He has frequently called for an investigation of an incident and then has quietly dropped the matter.

Part of Balaguer's strategy as President is shown by such action. He holds that he must make compromises and concessions when it comes to the military. It is the strongest element in the country and his government rests on military support. At the same time, the army chafes to "get after the Constitutionlists who gave it such a hard time in the 1965 civil war."⁷ As for the Constitutionlists, there is a widespread belief

⁴ Official texts, Balaguer speeches, November 5, 1966, and April 2, 1967.

⁵ *The New York Times*, May 28, 1967.

⁶ *Miami Herald*, August 17, 1967.

⁷ *Novedades*, Mexico City, July 15, 1967, quoting "Dominican sources who are close to the Army." The quote is similar to views expressed by many Dominican officers who believe, as one told this reporter in March, 1967, "we have to recover our image."

in the Dominican Republic that if the United States had not intervened in the civil war the Constitutionalist forces would have defeated the military and brought back former President Bosch. Whether this is valid or not, the fact remains that Constitutionalist supporters, as well as many other Dominicans, argue that Constitutionlists could have ended "once and for all the military domination of the island."⁸

On the other side of the coin, the military as a group has taken a firm position that in its eyes the most serious threat to the nation today is that of communism. "Communism is a deadly evil," an army officer told a group of trainees this spring, "and is the most dangerous doctrine in our land. Your main mission is the eradication of communism from the country. Everything else is secondary."⁹

In line with this, since Balaguer came to office there have been a number of army communiqués as well as national police announcements citing leftist and Communist plots to unseat the President.¹⁰ When terrorism broke out in Santo Domingo, the nation's capital, in June, 1967, even President Balaguer joined in the chant, saying in a nationwide radio and television address that communism threatened his government.

"Hundreds of Communists, inspired by Cuban Premier Fidel Castro, are responsible for the new outbreak of terrorism," he said. "They are engaged in a dangerous game which we must meet with force. The military is fully alerted to the problem."¹¹

At the same time, Balaguer told an interviewer that "extreme right-wing elements" were the instigators. He claimed the "rightists formed an alliance to create panic and eventually overthrow the government."¹² This sequence of charges illustrates the difficult position faced by Balaguer in maintaining

himself in power, and also in trying to bring about some stability in the crisis-ridden country.

Balaguer is head of the *Reformista* party, a grouping which he describes as a somewhat right-of-center political alliance. Although the *Reformistas* control the congress, as well as hold the presidency, they are far from a strong political force. The party is a new element in the Dominican political spectrum, created in 1966 as the vehicle to spearhead the Balaguer bid for the presidency. The cabinet numbers only three *Reformista* members, while the other six are from a variety of other political forces in the country.

The strongest single party today is the *Partido Revolucionario Dominicano* (P.R.D.), loyal to former President Bosch, who is now in Spain. This force is somewhat weakened as a result of Bosch's absence and because it has not been able to find other leaders of the former President's stature within its ranks. The party was reorganized in late 1966 and early 1967 with a more radical and sometimes anti-American line under José Francisco Peña Gómez, a young Negro who assumed the new post of secretary general when Bosch decided to move to Spain.

Through the spring of 1967 the P.R.D. and Balaguer were at a standoff. The P.R.D. charged first of all that the President was soft on the Trujillistas in his administration and in the army. Moreover, the P.R.D. charged that the military had prepared a list of P.R.D. leaders slated for assassination. It added that the party telephone at its headquarters was tapped and that conversations were frequently interrupted by a tape-recorded message threatening P.R.D. leaders. "This is hardly conducive to good relations with the government," a P.R.D. statement said in March, "for it shows to what an extent the government is infiltrated with the old-line militarists."¹³

The P.R.D. moderated some of its strong anti-Balaguer messages in early summer after a three-week boycott of congress; P.R.D. representatives sat down with the President to talk over their differences, and apparently arrived at a truce. Balaguer would like the

⁸ *Partido Revolucionario Dominicano* statement issued in November, 1966.

⁹ *The Christian Science Monitor*, April 12, 1967.

¹⁰ *Ibid.*

¹¹ Reuters story carried in the *Washington Post*, June 26, 1967.

¹² *Ibid.*

¹³ P.R.D. statement issued March, 1967, quoted in *The Christian Science Monitor*, April 12, 1967.

P.R.D. to assume the role of a loyal opposition. But the P.R.D. says that this can come about only if the President makes certain that P.R.D. members are not intimidated and puts an end to efforts by the military to even the score with the former Constitutionalists of the 1965 civil war, who are largely P.R.D. members or associates. There was evidence as Balaguer moved into his second year that the P.R.D. was marking time waiting for the President to act on its demands. Balaguer, meanwhile, was using the breathing space to consolidate his position and to push ahead with economic reforms.

SEARCH FOR ECONOMIC STABILITY

In the final analysis, it is in the economic sphere that the Balaguer government will succeed or fail. Balaguer inherited a chaotic economic situation, resulting from the legacy of Trujillo-type economic practices, the economic austerity of the Donald Reid Cabral government which preceded the 1965 civil war, and the war itself, which so shattered the enfeebled economy that economic specialists think it will be years before significant progress can be made in this field. Yet Balaguer called 1967 "the year of development." Bolstered by massive United States aid, he has made efforts to increase the availability of housing, to create jobs, and to keep the currency, the *peso*, at par with the United States dollar.

United States financial aid has been on a major scale. In the first year of his four-year term, Balaguer was granted \$40 million in development assistance by the United States government. In addition, just before the first year was up, Washington granted a further \$9.2 million in direct aid.

Of the \$40 million, which was officially termed an emergency grant, nearly 90 per cent had been spent by October, 1967, in agriculture, public works, and education. Close to \$22 million has gone into modernizing and boosting agricultural production and building highways. The remaining \$18 mil-

lion has been invested in building schools and low-cost housing, as well as in a limited number of projects in such fields as irrigation and sewage improvement.

This United States assistance has also helped the unemployment picture slightly by putting some of the huge legion of unemployed to work. Dominican unemployment figures are not exact, but the general feeling among government officials is that unemployment probably totals 40 per cent or more of the available work force. Employment of unskilled labor in the construction fields has cut the unemployment force by as much as 5 per cent, according to Dominican official sources.¹⁴

The biggest single factor in the Dominican search for economic development has been Washington's agreement to increase the nation's quota of sales of sugar in the United States market. The current quota is running at 600,000 tons for the 1967 harvest season and is a substantial increase over previous years. Sugar sales to the United States will bring upwards of \$70 million to the Dominican treasury, a sizable windfall in a year when the national budget stands at about \$210 million. The sugar income, however, will not be enough to balance the budget, since expenditures are expected to exceed revenue by more than \$30 million.

Not only is the budget out of balance, but so are exports and imports. No figures are available for 1967, but 1966 totals released in mid-June, 1967, reflect a \$22-million balance-of-payments deficit. Imports totaled \$159 million, while exports reached only \$137 million.

Despite these deficit figures, there are economic specialists in the Dominican Republic today who think that Balaguer has brought about something of an economic miracle in coming as close to balance as he has.

We are making more progress than we had any reason to hope a year ago [a Dominican banker told this correspondent in July, 1967]. It is as if we were coming out of the woods more quickly than we expected. Our big problem is not to get too much enamored with the heady air of enthusiasm. There are still a number of problems to be faced.¹⁵

¹⁴ Department of Labor statistics released in report March 3, 1967.

¹⁵ *The Christian Science Monitor*, July 16, 1967.

Balaguer is a realist. He began an austerity campaign almost the moment he went into office and he now says that "no matter what success we are having at coming close to balance in the budget and in payments, we are going to keep this austerity going."¹⁶ He reduced civil servants' salaries, despite the howls of protest which went up from his supporters as well as his opponents, abolished their traditional Christmas bonuses, and set down guidelines for a wage freeze in the private sector. There is some grudging admission, even from the opposition P.R.D., that these measures are having some success. Coupled with a credit squeeze imposed by the central bank on importers, his actions have resulted in a sharp drop in monetary circulation, which fell 21 per cent in the first quarter of 1967, compared with December, 1966.

Moreover, the *peso* remains fairly strong, despite dire predictions that it would decline in value during 1967. At the end of July, there was a 54.5-million *peso* reserve in the treasury and the total was expected to increase to 60 million by the end of the year. Finally, the predictions of an economic recession, advanced in 1966, became less frequent in 1967 as signs of an impending recession failed to materialize.

There is general agreement that none of this could have been accomplished without the aforementioned United States aid, which since the 1965 civil war has amounted to more than \$50 for every Dominican citizen. So involved is the United States in the economic recovery of the island nation that the United States ambassador, John Crimmins, meets every Wednesday with President Balaguer in a session which also brings together Dominican cabinet officials and officials of the Agency for International Development.

The key thrust of their efforts is improvement in agriculture. President Balaguer puts it this way: "We've got to raise agricultural production."¹⁷ In this connection, most of the United States aid in 1967 has been directed at rural projects.

¹⁶ *The Christian Science Monitor*, March 13, 1967.

¹⁷ *The New York Times*, June 14, 1967.

Many observers of the Dominican scene who watched President Balaguer when he was puppet president in the final years of the Trujillo dictatorship express surprise at the way in which he has thrown himself into the field of reform and change. The title of his party, the *Reformista* (or Reform) party, is much more than a catchword. Former associates who are now critical of him say he has gone too far, too fast.

Balaguer is responsible for much of the new public housing which is under construction around Santo Domingo and in other parts of the country.

And the President has promised to build schools for all Dominicans, to erase within a decade the staggering 40 to 50 per cent illiteracy total, which in recent years has been growing rather than decreasing. The building of new schools is a first step, but the preparation of teachers, which was supposed to go hand-in-hand with school construction, has not advanced so rapidly as expected.

There is evidence that Santo Domingo newspapers, some of which were certainly not unfriendly to the Balaguer candidacy in the June, 1966; elections, have begun to take a less sympathetic line toward the President. In editorials and in news columns, *El Caribe* and *Listin Diario* have recently rebuked the President for not advancing his program fast enough. Radio commentators have also become increasingly critical. Yet most of the leaders have learned to live with such criticism. "It is a sign of our growing maturity," Roque E. Bautista, a prominent *Reformista* legislator said in Santo Domingo in July, 1967. "We didn't have this sort of criticism under Trujillo and until our political lines are more firmly set, this type of criticism will

(Continued on page 309)

In July, 1957, James Nelson Goodsell joined the *Monitor* staff. He won the Sigma Delta Chi award for foreign correspondence in 1965 for his coverage of the revolution in the Dominican Republic and a citation from The Overseas Press Club for his 1966 reporting on Latin America.

BOOK REVIEWS

ON LATIN AMERICA

CUBA: CASTROISM AND COMMUNISM, 1959–1966. BY ANDRÉS SUÁREZ, with a foreword by ERNST HALPERIN, and translated by JOEL CARMICHAEL and ERNST HALPERIN. (Cambridge, Mass: The M.I.T. Press, 1967. 249 pages, foreword, preface and index, \$7.50.)

Dr. Andrés Suárez, presently an associate professor of political science at the University of Florida in Gainesville, was an active participant in the revolutionary movement against Batista. During 1959–1960, he was under secretary in the ministry of the treasury. His keen analysis of Castroism offers valuable insight into the nature of the present regime in Cuba. He reviews the history of the Communist party in Cuba, Castro's revolution, the relationship of the Communist party to it and the various phases of Castroism since 1959.

As Theodore Draper has previously demonstrated, Castro came to power without an ideology. The only way he could describe his revolution was to say, "It is a radical revolution . . . a revolution different from all other revolutions ever made. . . ."

Suárez notes that, apart from its radicalism, "two of the most outstanding characteristics of the regime were the unprecedented scale on which state means were used for patronage and its profound allergy to any form of organization." He believes it was Castro's dislike of organizations which prompted him to avoid governing at the head of an established form of government. He sees that Castro's failure in Santo Domingo in June, 1959, and his need to replenish armaments made him turn to the Soviets for aid, because no nation within the United States sphere of influence would send him arms. Thus he sees Castro as "a consummate opportunist, gifted, it is

true, with the audacity and courage to act with the most exaggerated radicalism. . . ."

Suárez shows that the Communist party participated in Castro's revolution only at a late stage and then "to a rather insignificant extent." From 1959 onward the regime began to import institutions proper to a Communist state. Finally, in October, 1965, it "formally created that organ essential to every Communist regime: the party of a 'new type.'" Even today, Suárez does not believe Cuba can legitimately be described as a Communist state, "that is, a state ruled by the leading nucleus of a party organized according to Leninist norms." State power in Cuba rests on the charismatic qualities of the maximum leader who created it and rules autocratically. The Communist party in Cuba still plays a secondary role and "the directing organs remain solidly in Castro's hands."

Mary Anderberg

POLITICS IN BRAZIL: 1930–1964. AN EXPERIMENT IN DEMOCRACY. BY THOMAS E. SKIDMORE. (New York: Oxford University Press, 1967. 330 pages, notes, selected bibliographical index and index, \$8.75.)

This is an excellent, comprehensive analysis of the trends in Brazilian politics which led to the fall of President Goulart in 1964 and the eclipse of democratic politics in Brazil. The political system which collapsed in 1964 had its origins in the decade following the revolution of 1930, when Vargas became provisional president at the head of an armed opposition movement. Professor Skidmore begins his study with a description of the economic and political courses chartered in that era. The depression had brought a sharp drop in coffee prices and a severe decrease in

Brazil's foreign exchange earnings. The government eased the coffee growers' losses by purchases of surplus. The scarcity of foreign exchange, which cut off the supply of imported manufactured goods, first brought a reaction from the private sector of the economy. Financeers began investing in domestic light industry instead of investing in export crops.

The industrialization of Brazil began and the country gradually turned from economic liberalism to government direction of the economy through import controls, credit controls, taxes, exchange controls and the like, and through direct government investment in economic expansion. Inflation caused by rapid economic expansion and periodic foreign credit squeezes have been continuing problems for Brazilian governments in the last three decades.

In the political sphere, state rivalries, conflicts between land owners and industrialists, and between the military and the technocrats have posed equally grave problems. In his interpretation of the Brazilian political scene in this period Professor Skidmore emphasizes the following themes: "the changing institutional context of politics (the expansion of the electorate, the strengthening of the central government), the electoral weakness of liberal constitutionalism, the remarkable survival of the political 'ins,' the inexperience and the division of the left, and the growing political involvement of the military" as well as the "pressure felt by politicians to find a satisfactory strategy of economic development and to deal with the recurrent financial crisis."

M.A.

ELITES IN LATIN AMERICA. EDITED BY SEYMOUR MARTIN LIPSET and ALDO SOLARI. (New York: Oxford University Press, 1967. 513 pages, notes on contributors and index, \$9.50.)

This volume is the outcome of a Seminar on Elites and Development in Latin America held at the University of Monte-

video, Uruguay, in June, 1965, which was sponsored by the University of Montevideo, the Institute of International Studies at the University of California at Berkeley and the Congress for Cultural Freedom. Distinguished sociologists and political scientists from North and South America have contributed essays on the industrial, political, military, religious, cultural and labor elites, contemporary peasant movements and the middle class in Latin America. Six essays deal with education and elite formation and Professor Lipset has written an excellent opening chapter on Latin American values and their effect on the behavior of the elites. Altogether, the study offers a wealth of material on contemporary Latin American society and the forces that are likely to affect its future development.

M.A.

THE MODERN HISTORY OF PERU. BY FREDERICK B. PIKE. (New York: Frederick A. Praeger, 1967. 320 pages, bibliographical notes, illustrations, maps and index, \$7.50.)

Professor Pike states in his preface that his book takes exception to the frequently advanced generalization that Peru is "a classic example of the social and economic retardation that results from rule by a selfish oligarchy." He believes that the Peruvian oligarchy has been "enlightened and progressive about as often as it has been selfish and reactionary." He thinks the "revolutionaries in Peru have exercised little lasting influence." It is the men of moderation and compromise who "have directed the country towards its proudest achievements." An opening chapter deals with geographic, ethnic and historical backgrounds; and succeeding chapters cover the colonial empire, the establishment of the republic and events from 1823 to the present. Pike devotes his two final chapters to APRA and its quests for power, its decline, and the emergence of new forces for change.

M.A.

CURRENT DOCUMENTS

1967 Declaration of the Presidents of America

On April 14, 1967, in Punta del Este, 17 Latin American chiefs of state, the prime minister of Trinidad and Tobago, and the representative of the president of Haiti signed a declaration calling for unity among the American nations. Excerpts from the declaration follow:

I

Latin America will create a common market.

THE PRESIDENTS OF THE LATIN AMERICAN REPUBLICS resolve to create progressively, beginning in 1970, the Latin American Common Market, which shall be substantially in operation in a period of no more than fifteen years. The Latin American Common Market will be based on the complete development and progressive convergence of the Latin American Free Trade Association and of the Central American Common Market, taking into account the interests of the Latin American countries not yet affiliated with these systems. This great task will reinforce historic bonds, will promote industrial development and the strengthening of Latin American industrial enterprises, as well as more efficient production and new opportunities for employment, and will permit the region to play its deservedly significant role in world affairs. The ties of friendship among the peoples of the Continent will thus be strengthened.

THE PRESIDENT OF THE UNITED STATES OF AMERICA, for his part, declares his firm support for this promising Latin American initiative.

THE UNDERSIGNED PRESIDENTS AFFIRM THAT:

We will lay the physical foundations

for Latin American economic integration through multinational projects.

Economic integration demands a major sustained effort to build a land transportation network and to improve transportation systems of all kinds so as to open the way for the movement of both people and goods throughout the Continent; to establish an adequate and efficient telecommunications system; to install interconnected power systems; and to develop jointly international river basins, frontier regions, and economic areas which include the territory of two or more countries.

We will join in efforts to increase substantially Latin American foreign-trade earnings.

To increase substantially Latin American foreign-trade earnings, individual and joint efforts shall be directed toward facilitating nondiscriminatory access of Latin American products in world markets, toward increasing Latin American earnings from traditional exports, toward avoiding frequent fluctuations in income from such commodities, and, finally, toward adopting measures that will stimulate exports of Latin American manufactured products.

We will modernize the living conditions of our rural populations, raise agricultural productivity in general, and increase food production for the benefit of both Latin America and the rest of the world.

The living conditions of the rural workers and farmers of Latin America will be transformed, to guarantee their full participation in economic and social progress. For that purpose, integrated programs of modernization, land settlement, and agrarian reform will be carried out as the countries so require. Similarly, productivity will be improved and agricultural production diversified. Furthermore, recognizing that the Continent's capacity for food production entails a dual responsibility, a special effort will be made to produce sufficient food for the growing needs of their own peoples and to contribute toward feeding the peoples of other regions.

We will vigorously promote education for development.

To give a decisive impetus to education for development, literacy campaigns will be intensified, education at all levels will be greatly expanded, and its quality improved so that the rich human potential of their peoples may make their maximum contribution to the economic, social, and cultural development of Latin America. Educational systems will be modernized taking full advantage of educational innovations, and exchanges of teachers and students will be increased.

We will harness science and technology for the service of our peoples.

Latin America will share in the benefits of current scientific and technological progress so as to reduce the widening gap between it and the highly industrialized nations in the areas of production techniques and of living conditions. National scientific and technological programs will be developed and strengthened and a regional program will be started; multinational institutes for advanced training and research will be established; existing institutes of this kind in Latin America will at the same time be strengthened and contributions will be made to the exchange and advancement of technological knowledge.

We will expand programs for improving the health of the American peoples.

The fundamental role of health in the economic and social development of Latin Amer-

ica demands that the prevention and control of communicable diseases be intensified and that measures be taken to eradicate those which can be completely eliminated by existing techniques. Also programs to supply drinking water and other services essential to urban and rural environmental sanitation will be speeded up.

Latin America will eliminate unnecessary military expenditures.

THE PRESIDENTS OF THE LATIN AMERICAN REPUBLICS, conscious of the importance of armed forces to the maintenance of security, recognize at the same time that the demands of economic development and social progress make it necessary to devote to those purposes the maximum resources available in Latin America.

Therefore, they express their intention to limit military expenditures in proportion to the actual demands of national security in accordance with each country's constitutional provisions, avoiding those expenditures that are not indispensable for the performance of the specific duties of the armed forces and, where pertinent, of international commitments that obligate their respective governments.

LATIN AMERICAN INTEGRATION

(Continued from page 262)

size of the several Central American countries could lead to this result. The fact that a substantial portion of the increased trade is unprocessed agricultural products suggests that it is harder for Central American states to remain economically self-sufficient when artificial barriers are reduced. The agreement is somewhat older and the political-economic problems of reducing barriers were much less severe than those involved in the LAFTA negotiations. In addition, the agreement is much wider in scope and in vision. A common bank has been established; a clearing house exists; ministers meet regularly with their counterparts to deal with the concrete problems of integration. LAFTA, on the

other hand, is far from this level of integration and has yet to demonstrate that it can make substantial progress even in increasing trade.

We can expect the Central American Common Market to make considerable progress in expanding trade among its members. The character of that trade, too, is apt to shift to include more manufactures as the five countries begin to realize the opportunities offered by the larger market. And there are reasons to expect that much of this shift can be toward creating variety in trade rather than simple trade diversion.

LAFTA, on the other hand, shows fewer signs of success. Its problems are far more complex, especially those related to the developing industrial sectors which seek to gain maximum concessions from other countries while maintaining maximum protection for themselves. Latin American governments have been disappointed in LAFTA because it has not brought the dramatic economic results hoped for: relatively painless gains concentrated in the external area to avoid the harsh internal reform required in the domestic area. Current thought on revitalizing and expanding the effectiveness of LAFTA lies in the direction of extending its objectives.

When remedies are disappointing, there are several choices—one of which is to increase the prescription dosages, perhaps combined with other remedies. It was made clear in the Declaration of American Presidents at Punta del Este in April, 1967, that Latin America and the United States were thinking of a bigger dosage. An all-encompassing common market for Latin America, on the lines of LAFTA and CAFTA, was established as a plan to be initiated in 1970 and fully implemented by 1985. In the declaration, given to generalities, this came first.¹⁵

One benefit which may arise and which has not been discussed is the increased bargaining power Latin America may gain vis-à-vis an economically organized Europe and vis-à-vis its other major trading partner, the

United States. Certainly, a strong, coherent Latin America should be more powerful in dealing with an ever stronger, more unified Europe than 21-odd countries acting alone. At least with respect to Europe, this may permit Latin American nations to reduce the losses anticipated from the economic integration of Europe.

In assessing economic integration, its potential benefits should not be denied, and efforts to produce lower trade barriers, better clearing arrangements, more unified economic policy are all to be commended and encouraged. But the international areas are all small and the responsibility for (and burden of) doubling and tripling per capita incomes—which is what is desired—cannot be borne by international trade. Most progress must come from the radical reshaping of domestic economies, probably along the lines foreseen in the original design of the Alliance for Progress.

BOLIVIA

(Continued from page 282)

pate responsibly in a variety of international programs.

Perhaps this is why newcomers to Bolivia so often have difficulty in comprehending the cautious optimism of long-time residents. No one would deny that abysmal poverty remains and even predominates in large areas, that corruption and inefficiency are the rule in business and government, that prospects for sustained or diversified economic development are dim, or that regionalism is combined with friction between the social strata to prevent national unity. But in each of these respects, the situation is less problematic than it was 15, or even 5, years ago.

In short-term perspective, such a relative view may seem frustrating and unsatisfactory. In a longer historical perspective, however, it is the most meaningful way of assessing progress. What revolutionary has ever faced up to the universal dilemma of the revolutionary: that his cardinal reason for existence is to do away with his reason for existence?

¹⁵ *The New York Times*, April 14, 1967, p. 1. For excerpts from this declaration, see p. 305 of his issue.

VENEZUELA

(Continued from page 274)

inevitably a COPEI victory would bring a period of adjustment. COPEI's recent policies have been sharply critical of some aspects of armed forces attitudes and performance, although these alone could scarcely justify military rejection of a COPEI government. COPEI's doctrine calls for a "communitarian" policy toward property, a middle ground between capitalism and communism. The lack of definition of this concept disturbs the private sector, but again this is not great enough to cause rejection. Although COPEI is not confessional, the numerous anticlericals in Venezuela would assume the worst of church dictation should COPEI win power; this is not likely either, since it might do the church greater harm than good.

On the whole, the "crisis of confidence" in 1966 over the tax bills revealed the health of the Venezuelan political system. Articulate, powerful blocs clashed. The government yielded in large part. An issue of this magnitude might have fomented violence a decade ago; in 1966, it was settled in the public arena by peaceful means. Bruised feelings have not precluded subsequent collaboration among the private and governmental antagonists.

On the other hand, the more complex economic and financial issues involved in the clash remained largely dormant. The private sector permitted Venezuela's entrance into LAFTA; indeed, it could not have prevented it as a political matter. But while LAFTA's success is not solely dependent on Venezuela, in the short run LAFTA may not receive its fair share of support from the Venezuelan private sector. Additionally, the private sector was able largely to duck the issue of its fair contribution to the costs of developing the economy and the social system.

This is not to say that continuing economic weakness, or the lag behind political strength, presumes inevitable national failure. Actually, these problems are relative, in comparison with most other Latin American coun-

tries. The net evaluation in 1967, as in 1966, is necessarily optimistic; the distance upward that Venezuela has traveled since the overthrow of the unstable dictatorship in January, 1958, is in fact one of the most phenomenal demonstrations of growth the Western Hemisphere has ever seen.

BRAZIL'S DILEMMA

(Continued from page 297)

may lessen; if, on the other hand, the economy continues to be sluggish or stagnant, tensions that can only be repressed by force will rise. The army will then be indispensable to any national government even in the long run. Finally, if economic growth is precisely what forced the old regime to fall apart because of the impossibility of satisfying both the old and the new power blocs, then the prospects will be renewed strife even if the economy surges forward.

The government thus faces a dilemma: should it foster economic growth at the risk of instability, or should it continue to place primary emphasis on national security? Should it play into the hands of the landowning classes, or provide opportunities for new groups that may eventually threaten its power?

CHILE

(Continued from page 269)

it becomes a symbol against which public opinion may be mobilized by P.D.C. leaders for internal support.¹⁷ Meanwhile, the more militant OLAS becomes, the more it will strain the FRAP alliance, already divided

¹⁷ This potential has already begun to take form. The national committee of the P.D.C. has announced that it will not permit the Chilean unit of OLAS to introduce violence into the country; the president has morally condemned OLAS; Chilean newspapers cite the subversive and guerrilla warfare threat of the organization. See *El Mercurio*, Santiago, July 11, 17 and 31, 1967. In addition, the Chilean foreign minister, Gabriel Valdes, has cited the "interventionist" color of OLAS. See *El Mercurio*, August 9, 1967.

over Castro's policy, and the more difficult it will be for the Radicals to support leftist parties associated with OLAS.¹⁸

These international pressures in combination with domestic party splits suggest that if the Christian Democrats can consolidate their own party and continue to move forward with reforms, they will be in a favorable position by the 1970 presidential elections.

¹⁸ The principal points in the August declarations of OLAS were: 1) Armed struggle is the fundamental line of revolution in Latin America, 2) Latin American revolutions will battle against imperialism, bourgeois oligarchies and *latifundistas* (large landowners), 3) Marxist-Leninist principles will orient Latin American revolutions, 4) armed battle is inevitable, 5) guerrilla warfare is the best method to carry out revolutionary struggle, 6) the Cuban revolution represents the vanguard of the Latin American anti-imperialist movement, 7) solidarity with Cuba is an essential duty of continental anti-imperialist organizations. See *La Nación*, Santiago, August 11, 1967.

DOMINICAN REPUBLIC

(Continued from page 302)

continue. Balaguer expects it."¹⁸ But this opposition is of serious consequence to the Balaguer government. With the recurring rumors of political agitation, plots against

the President, mounting criticism of the government, any new voice in the political spectrum makes the presidency more difficult.

What worries Dominican observers is that the island nation is still a country of major uncertainties. Loyalties are fleeting. Privileges are carefully guarded. The Dominican Republic is a land which overnight can be thrown into a crisis by terrorist outbursts, by military discontent. Once before, Balaguer was unseated by the military, following the Trujillo assassination. As this is written, there is a feeling that despite the generally accepted good start on economic recovery made by Balaguer, he is still not over the hump, and indeed could again be toppled from power by the military and other rightists who question his reforms and are unhappy with the strident sounds from the P.R.D. opposition and forces further to the left. The future of this island nation is more promising today, but as Balaguer said in March, 1967, "We are . . . wrapped up in the past and it will be years before we fully move into the future."¹⁹

¹⁸ *The Christian Science Monitor*, July 16, 1967.

¹⁹ *The Christian Science Monitor*, March 13, 1967.

STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION (Act of October 23, 1962; Section 4369, Title 39, United States Code). 1. Date of filing: September 30, 1967. 2. Title of publication: CURRENT HISTORY. 3. Frequency of issue: monthly. 4. Location of known office of publication (Street, city, county, state, zip code): 1822 Ludlow St., Phila., Pa. 19103. 5. Location of the headquarters or general business offices of the publishers (not printers): 1822 Ludlow St., Phila., Pa. 19103. 6. Names and addresses of publisher, editor and managing editor: Publisher, Daniel G. Redmond, Jr., 1642 Monk Rd., Gladwyne, Pa.; Editor, Carol L. Thompson, 12 Old Boston Rd., Wilton, Conn.; Managing editor, none. 7. Owner (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual must be given.): Current History, Inc., 1822 Ludlow St., Phila., Pa.; Daniel G. Redmond, Jr., 1642 Monk Rd., Gladwyne, Pa.; Shelby Cullom Davis, 116 John St., New York 38, N. Y. 8. Known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages or other securities (If there are none, so state): Daniel G. Redmond, Jr., 1642 Monk Rd., Gladwyne, Pa. 9. Paragraphs 7 and 8 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which the stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner. Names and addresses of individuals who are stockholders of a corporation which itself is a stockholder or holder of bonds, mortgages or other securities of the publishing corporation have been included in paragraphs 7 and 8 when the interest of such individuals are equivalent to 1 per cent or more of the total amount of the stock or securities of the publishing corporation. 10. Extent and Nature of circulation. A) Total no. copies printed (net press run): 34,083 (average no. copies each issue during preceding 12 months); 34,500 (single issue nearest to filing date). B) Paid circulation—1) Sales through dealers and carriers, street vendors and counter sales: none (average no. copies each issue during preceding 12 months); none (single issue nearest to filing date). 2) Mail subscriptions: 31,581 (average no. copies each issue during preceding 12 months); 30,098 (single issue nearest to filing date). C) Total paid circulation: 31,581 (average no. copies each issue during preceding 12 months); 30,098 (single issue nearest to filing date). D) Free distribution (including samples) by mail, carrier or other means: 652 (average no. copies each issue during preceding 12 months); 202 (single issue nearest to filing date). E) Total distribution (sum of C and D): 32,233 (average no. copies each issue during preceding 12 months); 30,300 (single issue nearest to filing date). F) Office use, left-over, unaccounted, spoiled after printing: 1,850 (average no. copies each issue during preceding 12 months); 4,200 (single issue nearest to filing date). G) Total (sum of E and F—should equal net press run shown in A): 34,083 (average no. copies each issue during preceding 12 months); 34,500 (single issue nearest to filing date). I certify that the statements made by me above are correct and complete.

D. G. REDMOND, JR., Publisher

THE MONTH IN REVIEW

A CURRENT HISTORY chronology covering the most important events of September, 1967, to provide a day-by-day summary of world affairs.

By MARY KATHARINE HAMMOND

Instructor of History and Government, Ohio Northern University

INTERNATIONAL

Disarmament

Sept. 19—The U.S. tells the Geneva conference that its decision to build an antiballistic missile network against a Communist Chinese attack should improve prospects for acceptance of the U.S.-Soviet draft of the nonproliferation treaty. To date Britain, Canada and Sweden have spoken in favor of the draft; Italy, Nigeria and India have opposed it; and West Germany and Japan have voiced objections:

European Economic Community (Common Market)

Sept. 15—At a press conference in Vienna, French Premier Georges Pompidou says his government will not help Austria obtain special status in the European Common Market by direct intervention with other market members or with the Soviet Union.

Sept. 16—A communiqué issued following a 4-day state visit to Austria says Pompidou assured Chancellor Josef Klaus that he understands Austria's sensitive position as a neutral seeking special status in the Common Market. The Soviet Union has asserted that it views any direct Austrian link with the community as a violation of Austria's neutrality.

International Monetary Fund

Sept. 29—Meeting at Rio de Janeiro, the 106 members of the International Monetary Fund approve a plan to provide monetary reserve assets to supplement gold, a major world monetary reform that will lead to controlled reserves rather than haphazard dependence on gold. The plan will be

drafted into legal form, and then submitted for ratification to the parliaments of member nations.

Middle East Crisis

Sept. 1—At the Arab summit conference in Khartoum, the attending chiefs of state agree to seek a nonmilitary solution of their impasse with Israel.

Israeli Foreign Minister Abba Eban rejects a Yugoslav peace proposal based on Israel's pre-June 5 borders and the right of Israeli ships to pass through the Strait of Tiran and move cargoes through the Suez Canal.

Sept. 4—Deputy premiers of the Soviet Union and East European countries meet in Belgrade to discuss economic assistance to Arab countries.

Arab teachers in the northern part of the west-bank area of Jordan refuse to teach in the public schools because of Israeli occupation of the region.

Sept. 18—Israeli authorities meet Arab resistance when they try to open 7 public elementary schools in the old section of Jerusalem. Only 8 of 71 teachers and half the students report.

The 5th emergency session of the General Assembly votes unanimously to place the Middle East issue on the agenda of the 22d regular session "as a matter of high priority."

Sept. 20—Israeli tanks fire on and sink 3 Egyptian launches ferrying soldiers in the Suez Canal.

Sept. 21—In the costliest shooting incident across the Suez Canal in 2 months, 4 Israeli soldiers die; 6 are wounded.

Sept. 25—Abba Eban warns the General Assembly that U.N. mediation must not become a substitute for direct negotiation between Israel and the Arab states.

Sept. 27—In Strasbourg, Eban suggests to a news conference that Israel, Lebanon and Jordan form an economic community; that the Sinai Peninsula be demilitarized; and that "universal status" be established for the "holy places" of Jerusalem.

Sept. 29—Speaking at the U.N., Egyptian Foreign Minister Mahmoud Riad charges that the U.S. has broken its pledges to uphold the territorial integrity of all Middle East states; he categorically rejects Israel's proposals for direct negotiation.

Organization of African Unity (O.A.U.)

(See also *Congo, Republic of the*)

Sept. 11—The representatives of 17 African nations meet at Kinshasa, the Congo, to consider the problems of the Congo and the Nigerian civil war.

Sept. 13—The O.A.U. demands that the rebellious white mercenaries in the eastern Congo leave the country or face the possibility of united military action by the rest of Africa.

Sept. 14—A team composed of representatives from Ethiopia, Niger, Ghana, Cameroun, Liberia and the Congo is formed to visit Nigeria and consult with her president, Lieutenant Colonel Yakubu Gowon, on means of ending the civil war.

Ethiopia, Kenya and Somalia agree to meet in Zambia to try to resolve their differences.

Organization of American States (O.A.S.)

Sept. 22—The conference of the foreign ministers of the O.A.S. opens in Washington. Bolivian Foreign Minister Walter Guevara Arze presents evidence purporting to prove that Cuban guerrilla Ernesto "Che" Guevara is a field commander of guerrilla forces fighting in Bolivia.

Sept. 25—By a 20-0 vote, the Latin American foreign ministers adopt a resolution

condemning Cuba's "repeated intervention and aggression" in Venezuela and Bolivia. A 15-0 vote recommends that the republics apply limited economic sanctions against non-Communist ships trading with Cuba.

United Nations

(See also *Intl, Middle East Crisis and War in Vietnam*)

Sept. 19—The 22d session of the General Assembly opens. Corneliu Manescu, foreign minister of Rumania, is elected president.

In his annual report to the General Assembly, Secretary General U Thant says a "line has to be drawn somewhere" to limit full U.N. membership for "micro-states," and suggests instead some form of associate membership.

War in Vietnam

(See also *U.S., Foreign Policy and Military*)

Sept. 5—U.S. Pentagon sources report that North Vietnam has quadrupled its surface-to-air missile sites during the last year, with about 200 now in operation.

An editorial in the official newspaper of the North Vietnamese Communist party, *Nhan Dan*, says President Ho Chi Minh's government will reject any overtures toward peace talks if they come from the newly-elected South Vietnamese government.

Sept. 7—U.S. Defense Secretary Robert McNamara says that the U.S. will construct a barrier of barbed wire, mines and electronic devices along the northern border of South Vietnam, below the demilitarized zone.

Sept. 9—U.S. jets renew bombing raids within 30 miles of the Chinese border.

Sept. 10—President-elect Lieutenant General Nguyen Van Thieu of South Vietnam says he refuses to accept as final reports of North Vietnam's rejection of peace talks with his government. He declares that Saigon will try to establish official contact with Hanoi early in October; if Hanoi asks for a goodwill gesture, he will offer a 1-week suspension of U.S. bombings of the North.

Sept. 11—U.S. navy planes bomb 4 targets in Haiphong and its suburbs in a move to isolate North Vietnam's major port.

Sept. 16—U Thant discloses that he has received unconfirmed reports that an agreement has been reached between North Vietnam and nations sympathetic to her to provide volunteers, including pilots, gunners and engineers, for Hanoi's air force.

Sept. 21—At the opening of debate in the U.N. General Assembly on Vietnam, the U.S. delegate, Arthur Goldberg, asks whether the Soviet Union and other friends of North Vietnam would use their influence toward securing a peaceful resolution of the war if the U.S. were to cease bombing the North.

The first contingent of 1,200 volunteers of the Royal Thai army arrives in Saigon.

U.S. naval bombers smash the last undamaged bridge leading from Haiphong.

Sept. 22—In the General Assembly, Soviet Foreign Minister Andrei Gromyko charges that the U.S. is not interested in a Vietnam settlement. The U.S. challenges Moscow to join in reconvening the Geneva conference and in using its influence to start peace negotiations promptly.

Sept. 23—The Soviet Union promises North Vietnam extensive military and economic aid, in an agreement for 1968 just concluded in Moscow following 4 weeks of talks.

Sept. 26—U.S. marines at the Conthien outpost just south of the demilitarized zone are subjected to the heaviest sustained enemy firepower of the war.

An article in *Nhan Dan* rejects the U.S. peace initiative presented to the U.N., and declares that the U.S. must stop the bombing unconditionally; then talks will be possible.

Sept. 27—Paul Martin, Canada's secretary of state for external affairs, offers the U.N. a 4-step peace plan for Vietnam based primarily on a return to the 1954 Geneva cease-fire arrangements.

Sept. 28—Speaking to the U.N. General Assembly, French Foreign Minister Maurice

Couve de Murville warns that U.S. involvement in Vietnam is endangering world peace; he places the responsibility for peacemaking on the U.S.

Sept. 29—Speaking to the National Legislative Conference meeting in San Antonio, U.S. President Lyndon Johnson says he will stop bombing North Vietnam "when this will lead promptly to productive discussion"; he would "assume that . . . North Vietnam would not take advantage of the bombing cessation."

AUSTRIA

(See *Intl, E.E.C.*)

CAMBODIA

Sept. 11—Prince Norodom Sihanouk ousts 2 pro-Communist China cabinet members, suspends publication of all privately-owned newspapers (many of which were pro-Peking) and announces plans for a national referendum in 1968.

CHINA, NATIONALIST

(See *Vietnam, Republic of*, Sept. 19)

CHINA, PEOPLE'S REPUBLIC OF (Communist)

(See also *India*)

Sept. 5—Recent reports from Canton indicate that attempts to carry out the purges of the Cultural Revolution have brought chaos to the city.

Sept. 12—The Shanghai Revolutionary Committee confiscates the British diplomatic mission, which the government forced Britain to close May 24 in retaliation for British measures in Hong Kong.

The Peking radio reports that 4 "counterrevolutionary" opponents of Chairman Mao Tse-tung have been executed in Peking for burglary and murder.

Sept. 13—In a radio broadcast, the government charges that India "attacked Chinese forces on the China-Sikkim border" on September 11 to secure more U.S. economic and military aid.

Sept. 15—The Peking radio announces a victory for Maoist forces over rebels in Anhwei Province.

Sept. 18—Reports reaching Hong Kong indicate that army efforts to restore order in Canton have led to a full-scale battle using tanks and artillery.

Sept. 24—*Hsinhua* (official press agency) reports that Mao has just ended a wide tour of China to get a first-hand view of the progress of the Cultural Revolution.

Sept. 26—The government announces the suspension of diplomatic ties with Tunisia.

CONGO, REPUBLIC OF THE (Kinshasa)

(See also *Intl, O.A.U.*)

Sept. 18—President Joseph D. Mobutu says that the 150 foreign mercenaries in Bukavu will have 3 days to make their escape after contact with the International Committee of the Red Cross before Congo military action is resumed.

Sept. 20—A representative of the Red Cross arrives from Geneva to confer with Mobutu on the evacuation of the mercenaries.

It is reported in Kinshasa that the 1,000–1,500 Katangese gendarmes who are with the mercenaries have been offered agricultural work in Zambia by Zambian President Kenneth D. Kaunda.

CYPRUS

Sept. 10—A joint communiqué issued after an all-day conference between the Greek and Turkish premiers reveals that no progress has been made on specific steps to end the 14-year-old Cyprus dispute.

CZECHOSLOVAKIA

Sept. 3—The *Sunday Times* (London) prints a 1,000-word manifesto from more than 300 anonymous Czech writers, artists, scientists and intellectuals accusing the Communist party of conducting “a witchhunt of a pronounced fascist character” against “the entire Czechoslovak writers’ community.”

Sept. 5—The official Czech press agency denounces as a “manifest fabrication” the manifesto attributed to Czech writers.

Sept. 27—The Communist party’s Central Committee issues a communiqué announc-

ing the removal of writer Jan Prochazka as a candidate member of the committee and the expulsion of 3 other writers from the party; *Literarni Noviny*, a leading intellectual magazine, is placed under the control of the ministry of education and culture.

FRANCE

(See also *Intl, E.E.C., and Poland*)

Sept. 13—President Charles de Gaulle reports to his cabinet on his recent Polish visit. He says his trip “fulfilled all the hopes of France” and insists his statements made in Poland should not be interpreted as a renunciation of France’s friendship with the Soviet Union, West Germany, the United States and Israel.

The cabinet approves and makes public a budget for 1968 equivalent to \$26.5 billion; the estimated overall deficit is \$360 million. Finance Minister Michel Debré estimates that the 1967 deficit will be \$1.4 billion.

Sept. 16—Premier Georges Pompidou concludes a 4-day visit to Austria; bilateral co-operation pacts have been signed.

The executive committee of the Christian Democratic party (the former Popular Republican Movement) announces that the C.D.P. will no longer be a political party but will become a club dedicated to political studies.

GERMANY, FEDERAL REPUBLIC OF (West)

Sept. 6—Chancellor Kurt Georg Kiesinger tells the *Bundestag* how he plans to eliminate a \$16-billion federal budget deficit and at the same time revive a faltering economy. The deficit, covering the years 1968–1971, will be met by increased taxes, reduced expenditures and middle-term finance planning.

Sept. 13—The cabinet approves a record \$20-billion federal budget for 1968.

Sept. 22—Transport Minister Georg Leber announces plans to ban trucks carrying heavy goods from the highways, to reduce

traffic congestion and help eliminate deficits in the government-owned railways.

Sept. 26—West Berlin Mayor Heinrich Albertz resigns. Observers note that he has been unable to maintain control of his party, the Social Democrats.

Sept. 29—In a letter to East German Premier Willi Stoph, Chancellor Kiesinger says the state secretary of the federal chancellery is willing to open direct negotiations with East Germany "to help alleviate the misery of German partition." This is the first concrete West German suggestion for such high-level talks.

GERMANY, PEOPLE'S REPUBLIC OF (East)

Sept. 18—Premier Willi Stoph sends a letter to West Germany's Chancellor Kiesinger asking immediate negotiations to normalize relations. The letter contains a draft treaty outlining steps to be taken by East and West Germany as a condition for a rapprochement.

GREECE

Sept. 27—Defying martial law, former Premier Panayotis Canellopoulos issues an appeal through foreign correspondents in Greece for a return to political freedom.

Sept. 28—Greek publisher Helen Vlachos is arrested and released pending trial for insulting the military regime, after the Italian newspaper *La Stampa* quotes her as describing the regime as a "circus." She has refused to publish her 2 daily papers and pictorial weekly until freedom of the press is restored in Greece.

Sept. 29—For the second time in a week, Canellopoulos openly defies the military junta, calling on them to "clear out of power."

INDIA

(See also *China, People's Republic of*)

Sept. 3—Kashmir Hindus end their 3-week-old agitation after Indian Home Secretary Y. B. Chavan persuades them to accept a Kashmir government offer to set up a committee to study their complaints. The gov-

ernment agrees to release all the Hindus arrested during the dispute over minority rights.

Sept. 11—Fighting erupts between Chinese troops in Tibet and Indian troops across the border at Sikkim in the Himalayan mountain pass of Natu.

Sept. 14—The U.S. announces plans to grant India \$1.3 million to buy contraceptives.

Sept. 16—Calm returns to the Natu Pass area as sporadic border shelling ceases.

IRAN

(See also *Intl, Middle East Crisis*)

Sept. 7—The Constituent Assembly unanimously adopts a constitutional amendment designating Empress Farah to rule as regent if her husband, the Shah, should die. The amendment is regarded as a forerunner of the Shah's October 26 coronation.

Sept. 13—Shah Mohammed Riza Pahlevi says he thinks Israel has a right to exist. He also says he hopes the world can "do without" the Central Treaty Organization and similar military alliances. He discloses that Iran has received shipments of trucks and armored personnel carriers from the Soviet Union.

ISRAEL

(See also *Intl, Middle East Crisis*)

Sept. 10—The cabinet reaffirms the government's determination to refuse to take part in any indirect peace talks with the Arabs.

Sept. 16—U.S. Defense Department sources report that Israel has been assured that the embargo on U.S. arms to the Middle East will be relaxed to allow the scheduled fall delivery of 2 squadrons of attack bombers for the Israeli air force.

Sept. 23—Sheik Abdul Hammid as-Sayeh, president and acting chief justice of the High Muslim Court, is deported from East Jerusalem by Israeli authorities on charges of having provoked subversion in the occupied west-bank region of the Jordan River.

Sept. 24—Arab terrorist activities increase in

the occupied areas of the Hebron region.

Prime Minister Levi Eshkol announces Israel will move settlers into occupied Syria and into a captured section of Jordan.

KOREA, REPUBLIC OF (South)

Sept. 8—The U.N. Command charges that North Korea has opened “a new page” in provocative acts by sabotaging a passenger train south of the demilitarized zone. The command also accuses North Korea of having challenged the 14-year-old armistice by attacking a camp of the U.N. Command’s Military Armistice Commission, August 28.

Sept. 13—A South Korean train carrying U.S. military supplies is derailed by explosives.

Sept. 15—Defense Minister Kim Sung Eun says South Korea is considering building an anti-infiltration barrier along the 151-mile demilitarized zone.

LAOS

Sept. 26—Premier Souvanna Phouma declares that he would oppose any U.S. effort to extend into Laos the anti-infiltration barrier being built along South Vietnam’s northern border.

NIGERIA

(See also *Intl. O.A.U.*)

Sept. 2—The government reports that its troops have cleared the Western Region of all but a few stragglers from the secessionist Eastern Region (Biafra).

Sept. 20—The federal government says its troops have captured the city of Benin, capital of the Midwestern Region. Earlier today the military administrator of the Midwestern Region announced its independence as the Republic of Benin.

Sept. 27—Informed sources report that federal troops have begun firing on Biafra’s capital, Enugu, and that Biafra’s government has left the capital. However, the Biafran radio gives no hint of the shelling.

POLAND

(See also *France*)

Sept. 6—French President de Gaulle arrives in Warsaw on a state visit and receives the warmest welcome accorded any foreign statesman in the memory of the city’s residents. He suggests that France and Poland might cooperate in helping to end the Vietnamese war.

Sept. 7—De Gaulle praises Poland and urges her to play a larger role in helping solve European problems.

Sept. 8—Karol Cardinal Wojtyla, metropolitan of Cracow, refrains from appearing at the Cracow Cathedral when de Gaulle visits it. His absence is interpreted as an act of solidarity with Stefan Cardinal Wyszynski, the primate and spiritual leader of Polish Roman Catholics, whom de Gaulle has refused to meet.

Sept. 10—De Gaulle calls on Poland to show more flexibility and assertiveness in dealing with the Soviet Union, urges the Poles to overcome their distrust of West Germany, and reiterates his support of the Oder-Neisse frontier.

Sept. 12—The visit of Charles de Gaulle ends with a joint communiqué calling for closer cooperation between Poland and France, without mentioning his pleas for greater flexibility toward Germany and more assertiveness toward the Soviet Union.

SPAIN

Sept. 16—The government announces a 15 per cent increase in the national daily minimum wage.

Sept. 20—Generalissimo Francisco Franco names the 65 appointive members of the lower house of Parliament. The nominees are elderly, conservative supporters of the regime.

Sept. 22—Admiral Luis Carrero Blanco, the closest political collaborator of Franco, is sworn in as Vice President.

SYRIA

Sept. 28—In the first cabinet shuffle since the June Arab-Israeli war, 9 members of the 22-man cabinet are replaced; reports indicate that the left wing of the Baath party has retained control.

U.S.S.R., THE

(See also *Intl, War in Vietnam*)

Sept. 26—In a full session meeting, the Central Committee announces approval of separate draft economic plans for 1968, 1969 and 1970. There is no mention of the traditional 5-year plan.

The session also makes formal the removal of one of the committee's 11 secretaries, Aleksandr N. Shelepin.

UNITED ARAB REPUBLIC, THE

(See also *Intl, Middle East Crisis*)

Sept. 4—The semi-official newspaper *Al Ahram* reports that former Vice President Abdel Hakin Amer, dismissed as deputy supreme commander of the armed forces after the defeat by Israel in June, was arrested 10 days ago with 50 other top military and civilian officers. Field Marshal Amer is accused of "attempting to stage a military comeback." (See *Current History, United Arab Republic*, October, 1967, p. 252.)

Sept. 5—It is disclosed that Salah Nasr, head of military intelligence, has been dismissed.

Sept. 15—The government announces that Field Marshal Amer has committed suicide.

Sept. 19—In Cairo, a government source reports that 181 military officers and civilians have been arrested for security reasons since June.

UNITED KINGDOM, THE

(See also *China, People's Republic*)

Sept. 5—The Trades Union Congress adopts a resolution urging the government to "disassociate itself from American policy in Vietnam."

Sept. 6—The T.U.C. approves a resolution deploring the government's deflationary policies that have resulted in a sharp rise in unemployment. The number of jobless is 600,000, the highest summer figure in 27 years.

Sept. 8—The T.U.C. ends its annual conference by shouting unanimous approval of a

motion supporting Prime Minister Harold Wilson's Labour government.

Sept. 21—The Labour party loses 2 by-elections to the Conservatives, one in a London working-class constituency that has elected a Labourite to Parliament in every election since 1929.

British Territories

Gibraltar

Sept. 1—The U.N. Special Committee on Colonialism declares that the scheduled September 10 referendum in Gibraltar would violate the U.N. Charter. It says the residents of the area are not entitled to self-determination because they are not indigenous.

Sept. 10—The people of Gibraltar vote almost unanimously to keep their ties with Britain rather than return to Spanish sovereignty.

South Arabia, Federation of

Sept. 2—Qatan Ashabi, leader of the National Liberation Front, emerges from 4 years of hiding and demands that Britain surrender all power to his group in the 17-state South Arabian Federation. The organization claims control in 11 states.

Sept. 4—The high commissioner in South Arabia, Sir Humphrey Trevelyan, confers in London with Prime Minister Wilson and returns immediately to Aden.

Sept. 5—Sir Humphrey announces the end of the federal government of the South Arabian Federation and says he is ready to begin immediate discussions with nationalist forces on a new government.

Sept. 10—Heavy fighting breaks out between the National Liberation Front and the rival Egyptian-backed Front for the Liberation of South Yemen.

Sept. 12—British troops are withdrawn from Little Aden, site of a British oil refinery 10 miles outside Aden proper. National Liberation Front forces take over the area.

Sept. 25—The 2 rival nationalist organizations call a cease-fire and agree to meet in Cairo October 3 to discuss the formation of a new government.

UNITED STATES, THE

Economy

Sept. 11—The Chrysler Corporation announces a 4.6 per cent price increase for 1968 cars.

Sept. 18—General Motors announces a 3.6 per cent price increase for new cars.

Sept. 20—Ford announces a 3.9 per cent increase in 1968 car prices.

Sept. 25—Chrysler announces a rollback on its announced 1968 price increase. The new prices will be 3.5 per cent higher than for 1967 models.

Sept. 27—The Bureau of Labor Statistics announces that in August the Consumer Price Index rose sharply by 0.3 per cent to a record 116.9. (This index usually declines in August.) The Bureau also predicts an 0.2 per cent rise in the Wholesale Industrial Price Index for September.

Foreign Policy

Sept. 1—Senate majority leader Mike Mansfield (D., Mont.) says he has the full support of President Lyndon B. Johnson in his efforts to persuade the U.N. Security Council to consider the issue of the Vietnamese war.

Sept. 8—Secretary of State Dean Rusk warns that if the Soviet Union does not agree soon to start discussions on limiting nuclear missiles, the U.S. will be forced to start building an antiballistic missile defense system.

At the same news conference, Rusk says he cannot definitely guarantee that China will not intervene in the Vietnamese war as a result of U.S. air attacks.

Sept. 13—The Senate passes and sends to the White House a military appropriation bill containing an amendment stipulating that all U.S. naval vessels are to be built in U.S. shipyards. The Administration recently completed an arms agreement with Britain under which that country would buy \$2.6 billion in military equipment from the U.S. in exchange for permission to bid for the construction of 7 minesweepers for the U.S. navy at a cost of \$60.7 million.

Sept. 14—The Agency for International De-

velopment announces plans to give India \$1.3 million to buy contraceptives. This is the first time the U.S. has included funds for birth control in a foreign aid program.

Sept. 17—Editor and writer Harry S. Ashmore charges that in February he relayed a peace bid to Ho Chi Minh on behalf of the State Department but that President Johnson then "effectively and brutally cancelled" the secret initiative by sending an uncompromising letter to the North Vietnamese regime.

Sept. 18—State Department spokesmen reject the Ashmore contention that a presidential letter forced North Vietnam to insist on stiffer truce terms.

Sept. 19—The director and 3 key field staff members of the International Volunteer Services working in Saigon resign in protest against the war.

Italian President Giuseppe Saragat ends a state visit to Washington. A joint communiqué shows strong Italian reservations about the treaty to ban the spread of nuclear weapons.

Sept. 26—Responding to Israel's announced plan of September 24 to resettle 2 occupied Arab territories, the State Department expresses disappointment, saying that the plan conflicts with U.S. support of territorial integrity and the understanding that occupied land was to be a matter for negotiation. (See also *Intl, Middle East Crisis*.)

Senator Clifford Case (R., N.J.) charges the President with having created a "crisis of confidence through his misuse" of the 1964 Gulf of Tonkin resolution.

Sept. 27—Speaking before a meeting of the newly-formed Business Executives Move for Vietnam Peace, Senator Thruston Morton (R., Ky.) declares that President Johnson believes the U.S. will win a military victory in Vietnam because he has been "brainwashed" by the "military-industrial complex." Shifting from his earlier support of the Administration, Morton calls for de-escalation in Vietnam.

President Johnson and British Foreign Secretary George Brown meet and discuss

Vietnam. Diplomatic sources state that Brown expressed Britain's disappointment over the U.S. decision to build a limited missile defense system before consulting with NATO.

Jens Otto Krag, Denmark's Premier, dines with President Johnson. Earlier today Krag suggested that the U.S. suspend bombing North Vietnam for an indefinite time period.

According to *The New York Times*, President Johnson met secretly yesterday with 16 Harvard University professors; they pressed him to deescalate the Vietnamese war and to urge the South Vietnamese regime to begin "nation-building" reforms.

Sept. 28—In response to growing Senate criticism, the President says that only military power can make a political solution in Vietnam possible, although there can be no "military solution" in Southeast Asia.

Government

Sept. 1—Following the announcement by major steel firms of price rises, President Johnson asserts that he regrets the decision but is not planning to take any action to force a price rollback.

Sept. 6—Gardner Ackley, chairman of the President's Council of Economic Advisers, tells the cabinet that predictions of strong economic expansion have been borne out but warns of inflationary pressures.

Sept. 7—The Justice Department asks a federal court of appeals to forbid the merger of the International Telephone and Telegraph Corporation and the American Broadcasting Company.

Sept. 8—The Federal Communications Commission refuses to reconsider its unanimous decision that broadcasters and cigarette manufacturers must provide free time for announcements on the dangers of smoking.

Sept. 14—To the International Association of Chiefs of Police, President Johnson appeals for support of his Safe Streets and Crime Control measure and for measures to limit the sale of firearms. He strongly denounces urban rioters.

Federal Reserve Board Chairman William McChesney Martin warns the House Ways and Means Committee that the nation is in the grip of an "inflationary psychology" and says a tax increase is necessary to halt continuing price increases.

Sept. 19—The Federal Aviation Administration issues major new rules aimed at lessening fire risk and at speeding evacuations from planes in "survivable" crash landings.

Sept. 20—President Johnson urges a comprehensive \$5-billion plan to expand and improve the air traffic control system, to be paid for by the aviation industry, the flying public and the communities served.

Sept. 28—Walter E. Washington is sworn in as commissioner of the District of Columbia; he is the first Negro to head the government of a major U.S. city. President Johnson names 5 Negroes to Washington's new 9-member City Council.

Sept. 30—The President signs the \$69.9-billion defense appropriation act for the current fiscal year, protesting congressional action reducing his request for funds, and saying he will try to circumvent the congressional stipulation barring Britain from bidding on certain contracts for the Department of Defense.

The President names Dean of Harvard's Law School Erwin N. Griswold as Solicitor General, succeeding Thurgood Marshall.

Labor

Sept. 1—President Johnson says he has no plans to invoke the Taft-Hartley Act to end a strike that has stopped most of the nation's copper production for the past 8 weeks.

Sept. 6—More than 20,000 public school teachers in 36 Michigan communities, including 11,500 teachers in Detroit, go on strike.

Walter P. Reuther, the president of the United Automobile Workers, proposes that the union and Ford Motor Co. avoid a scheduled midnight strike by submitting their differences to binding arbitration.

Sept. 7—The Ford company is struck by 160,000 members of the U.A.W. At issue

are wages and fringe benefits and a union attempt to relate these to Ford productivity.

A state of emergency is declared in Youngstown, Ohio, as 90 per cent of the firemen and police refuse to report for work in a wage dispute.

Sept. 11—The Youngstown strike ends.

Sept. 15—A presidential panel recommends a 2-year railroad labor settlement that would raise basic wages for railway shop workers by 5 per cent. The recommendation will become binding on both sides if no agreement is reached by October 15.

Sept. 18—The 2-week Detroit teachers' strike ends with a new contract offering pay increases of \$1,700 over 2 years. Schools are still closed in 10 Michigan communities.

Sept. 28—A 14-day teachers' strike that delayed the opening of New York City's public schools ends when the United Federation of Teachers votes to accept a new contract including salary increases and other benefits and guaranteeing improvements in working and school conditions.

Military

Sept. 1—Replying to critics urging abandonment of "carefully controlled" bombing of North Vietnam, President Johnson defends the present policy of selective bombing. He denies there is any rift between his military and civilian advisers on this subject.

Sept. 13—Following extensive bombings in the area of Haiphong harbor, White House spokesmen deny that there is any difference of opinion between the President and Defense Secretary McNamara. On August 25, the secretary told Senators no positive results would be accomplished by bombing North Vietnam's harbors.

Sept. 18—McNamara announces that a limited force of anti-missile missiles will be deployed in the U.S. He stresses that the move is being made with Communist China, not the Soviet Union, in mind.

Sept. 20—Admiral U. S. Grant Sharp, commander of U.S. forces in the Pacific, warns that a halt in the bombing of North Vietnam would be "a disaster for the U.S." and would extend the war indefinitely.

The testimony, just released, was given August 9 before the Senate Preparedness Subcommittee.

Politics

Sept. 4—Michigan's Governor George Romney (R.) states he was "brainwashed" during his 1965 visit to Vietnam. He says he no longer believes that the U.S. should be involved in the conflict there.

Sept. 10—The *Detroit News* urges Romney to forego any presidential ambitions in favor of Republican Governor Nelson Rockefeller of New York.

Race Relations

Sept. 5—A 3-judge federal court issues a temporary restraining order blocking a new state law in Alabama that would let parents decide whether their children's teachers are to be white or Negro. Former Governor George C. Wallace refuses on behalf of the governor, Lurleen B. Wallace, to accept notice of the court order.

Sept. 7—McNamara says the Pentagon is increasing its efforts to end housing discrimination against Negro servicemen by private landlords.

Three nights of violence, touched off by the killing of a 14-year-old Negro boy by a Negro detective, end in Brooklyn, New York.

Negro youths invade and sack the reception room of Milwaukee's Mayor Henry W. Maier in protest against the city's refusal to pass "open-housing" legislation.

The Office of Economic Opportunity says its own investigation of recent rioting revealed that anti-poverty workers helped stop, not start, violence in the cities.

Sept. 10—James E. Groppi, a white Roman Catholic priest who has been leading protest marches in Milwaukee against segregated housing since August 28, leads a crowd of 2,000 demonstrators into the Polish-American section of the city, where they are met with a hail of bricks and bottles. Police attempting to maintain order are attacked by the whites.

Sept. 13—The country's major life insurance

companies report they will invest \$1 billion in high-risk slum area housing.

At the Southern Governors' Conference, Georgia's Lester G. Maddox vetoes a resolution calling for a strengthening of higher education for Negroes.

Archbishop William E. Cousins, admitting that the Milwaukee archdiocese is losing members and financial support because of Father Groppi's civil rights demonstrations, says the priest is fighting for freedom and human dignity.

Sept. 15—A presidential study group headed by New Jersey's Governor Richard J. Hughes says that insurance companies should no longer be allowed to deny coverage arbitrarily to commercial and residential properties in slum areas. The states will be asked to develop "urban area plans" to make fire and extended coverage insurance available in these areas.

Sept. 20—Following 2 nights of racial violence, the mayor of Hartford, Connecticut, appeals for a "voluntary curfew."

VIETNAM, REPUBLIC OF (South)

(See also *Int'l, War in Vietnam*)

Sept. 1—The Vietcong increases its terrorist activities on the eve of the nation's first presidential elections. In one case, 65 villagers are kidnapped.

Sept. 3—Lieutenant General Nguyen Van Thieu is elected President as 83 per cent of the nation's 5.85 million registered voters cast their ballots in the country's presidential and senatorial elections to choose a government to replace the ruling junta. The military ticket receives 35 per cent of the vote, with 11 presidential candidates in the field. Vietcong terrorist activities on election day result in 26 South Vietnamese killed and 82 wounded.

Sept. 4—Defeated civilian candidates charge that the presidential elections were a fraud; several lodge complaints with the Constituent Assembly.

U.S. State Department spokesmen acclaim the election as a "major step forward" and report that U.S. and foreign observers find the election was conducted

"remarkably smoothly and fairly."

Sept. 6—A final tabulation of the votes for the Senate indicates that 35 of the 60 senators are Roman Catholic. In the nation as a whole, Catholics account for 10 per cent of the population.

Sept. 12—Protesting what they term the fraudulent elections, several hundred students walk out of the entrance examination for the University of Saigon Medical School.

Sept. 14—Six defeated presidential candidates announce the formation of a "militant democratic opposition front" to oppose the new government. The group, headed by Truong Dinh Dzu, the peace candidate who ran second, polled 200,000 more votes than did the winning ticket.

Sept. 15—Truong Dinh Dzu is convicted of having issued a bad check and of having illegally transferred \$11,500 to a U.S. bank. He is sentenced to 6 months in prison and fined \$27,711.

Sept. 16—*The Observer* (London) reports that the registered voters in the September 3 election represented less than 60 per cent of the country, because the rest of South Vietnam was too much dominated by the Vietcong to register to vote.

Sept. 19—A bomb explodes in the Nationalist Chinese Saigon embassy injuring 27. An attempt is made on the life of the embassy's intelligence attaché at his home, and an instructor at a Chinese school and a Chinese engineer are murdered.

Sept. 22—Former Economic Minister Au Truong Thanh, a critic of the Saigon regime, is arrested. No charges are filed.

Sept. 23—The national police release Thanh after strong protests by U.S. officials.

Sept. 24—Militant Buddhists and students begin mass demonstrations denouncing the "blatant rigging" of the elections and calling on the Constituent Assembly to set aside the results.

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